

CITY OF STEPHENVILLE, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2014

PREPARED BY

FINANCE DEPARTMENT

*Walter G. Wood, CPA
Director of Finance/Administration*

CITY OF STEPHENVILLE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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Introductory Section

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January 30, 2015

TO: The Honorable Mayor, Members of the City Council, and the Citizens of Stephenville (the "City")

The Finance Department and City Administrator's Office are pleased to submit the Comprehensive Annual Financial Report for the City of Stephenville, Texas for the fiscal year ended September 30, 2014.

This report provides the city council, city staff, our citizens, our bondholders and other interested parties with detailed information concerning the financial condition and activities of the city government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

To the best of our knowledge and belief the enclosed data is accurate in all material respects, and is organized in a manner designed to fairly present the financial position and results of operations of the City as measured by the financial activity of its various funds. We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

Rutledge, Crain & Co., PC, has issued an unqualified ("clean") opinion on the City's financial statements for the year ended September 30, 2014. The independent auditors' report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

CITY PROFILE



Location

The City is a political subdivision and municipal corporation of the State of Texas, duly organized and existing under the laws of the state and the City's home rule charter. The City was incorporated in 1854 and chartered a home-rule city under Texas law in 1961. The City is located on the intersection of U.S. Highways 67, 281, and 377. The City occupies approximately 11.79 square miles and serves a population of about 19,410. The City is empowered by state statute to levy a tax on both real and business personal property located within its boundaries. The City also has the power by state statute to extend its corporate city limits by annexation, which is done periodically when deemed appropriate by the city council.

The City operates under the mayor-council form of government. Policy-making and legislative authority are vested in a governing council consisting of the mayor and eight (8) council members. The city council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring the city administrator. The city administrator is responsible for carrying out the policies and ordinances of the city council, for overseeing the day-to-day operations of the City, and appointing heads of various departments. The mayor and city council members each serve two-year terms, and are elected at large. The basic financial statements of the City include all governmental activities, organizations and functions for which the City is

financially accountable as defined by the Government Accounting Standards Board (GASB). Based on these criteria no other governmental organizations are included in this report.

Services Provided

The City provides a full range of services, including public safety (police, fire, and emergency medical), maintenance of streets and infrastructure, sanitation services, maintenance of the treated water distribution system and both sanitary and storm sewer collection and transmission systems, recreational activities and cultural events, landfill operations, airport facility maintenance as well as general administrative services.

Accounting System and Budgetary Control

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with the revenues being recorded when available and measurable, and expenditures being recorded when the services or goods are received and the liabilities incurred. Accounting records for the City's utilities are maintained on the accrual basis.

In developing and maintaining the City's accounting system, consideration is given to the adequacy of the internal control structure. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability of assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The annual budget serves as the foundation of the City's financial planning and control. The city council formally adopts the budget and legally appropriates available monies for activities of the General Fund, Special Revenue Funds and Debt Service Fund.

No later than August 1st each year, the city administrator submits to the city council a proposed budget which provides a complete plan for the fiscal year commencing October 1. The budget includes proposed expenditures and means of financing them. The proposed budget is made available for public inspection, and a public hearing is held to allow for citizen comment. After the public hearing, council may make changes to any item in the budget, except those fixed by law. No later than September 23, the budget is legally enacted by ordinance which sets the limit on expenditures during the fiscal year. Additional expenditures may be authorized in the case of grave public necessity to meet unusual and unforeseen conditions which could not have reasonably been foreseen at the time the budget was adopted.

The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is at the departmental level; however, expenditures are monitored monthly at the department level to ensure financial accountability by department directors. Management control of budgets is further maintained at the line item level within the department. The City also maintains an encumbrance accounting system to further accomplish budgetary control. Under the City's financial policies, encumbered amounts in the General Fund at year's end lapse and balances flow forward as undesignated fund balances. For Capital Improvement Funds and Special Revenue Funds the encumbered amounts are reflected as a restriction of the fund balance at year's end. Encumbrances are generally re-appropriated as a part of the following year's budget. As demonstrated by the

statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

ECONOMIC CONDITION

Local Economy

The City serves as the center of commerce and recreation to over 37,000 Erath County residents. The City is the county seat and the principal commercial, medical, retail, educational and industrial center of Erath County. The City currently enjoys a fairly stable and diversified economic environment, bolstered by the strength of both the Cross Timbers area and the State of Texas. Our economy is based on agriculture, manufacturing, and Tarleton State University. Agriculture has long been Erath County's leading industry with livestock, especially beef, dairy and other livestock production. Erath County accounts for 27 % of the state's total milk production. The City is fortunate to have several manufacturing industries in town. Local manufacturing includes coated abrasives, oilfield related products, cream cheese, fiber gratings and fasteners, metal processing of electrical products, trailer customization, and forged pipe unions. Tarleton State University, a member of the Texas A&M System, provides further economic stability as the largest employer. The student body includes representatives from 220 Texas counties, 45 states, and 34 foreign countries. Tarleton's 2014 fall enrollment was still in excess of 11,000 students.

Stephenville ranks high in the state for a quality of work environment. As of September 2014, with unemployment at 5.2% statewide, Stephenville's unemployment was 4.7%. The city has adequate—yet below-average—wealth and income. According to the U. S. Census Bureau's 2013 American Community Survey published in 2014, Stephenville's median household income is \$34,703 compared to \$47,800 for DFW and \$51,900 for Texas. Also, according to the survey, the workforce is educated with 26.5% of the population having a bachelor's degree or higher, compared to 28% for DFW and 26.7% for Texas.

The stable property values, sales tax receipts and building activity reflect the area's positive economic climate. The City continues to have a low commercial vacancy rate coupled with new commercial and educational building construction. Texas Health Resources is currently in the process of an \$8 million dollar expansion. The Summit Apartments were completed opening up 75 new units. Elk Ridge Estates is also expanding and opening up Phase 3 with around 40 lots. In 2014 The Deluxe Inn Motel was torn down leaving an opportunity for economic development.

Long-Term Financial Planning

The City's ability to respond to on-going economic challenges will require careful long-range planning. The City has responded to the economy by fiscal conservatism and implementing operating budget efficiencies that have resulted in maintaining healthy fund balances in its general fund and water/wastewater funds.

Users of this document are encouraged to read the City's Fiscal Year 2014-2015 Budget. The document details the City's long-term goals and financial policies, describes program accomplishments and initiatives, and outlines the City's capital improvement program. Also available for reference is the City of Stephenville's Comprehensive Plan which was adopted in 2006 and maps out the City's future strategies.

In addition, the City has recognized the long-term financial implications of its pension and retiree health benefits. Regarding pensions, we have adopted accelerated funding as proposed by the Texas Municipal

Retirement System to ensure the long-term sustainability of the plan. The City does not provide for retiree health care. The City intends to provide a sustainable benefit to our employees without shifting costs to future tax payers.

Relevant Financial Policies

The City Council has adopted a series of financial standards and policies for operating and debt management. Management of the City has made every effort to comply with these standards and policies and believe we are currently in compliance.

The City Council Finance Committee meets on an as-needed basis to discuss financial and budgetary information, financial policies, fund balance reserve requirements and tax rate setting information. None of the City's financial policies had a significant impact on the current period's financial statements, as the City was able to maintain reserve levels within the stated policies for the governmental funds. Constant review of revenue and expenditure trends and reserve levels is maintained with specific responsibility assigned to the Finance Director and City Administrator. The City's Finance Department publishes a monthly financial report which provides internal and external users with the general awareness of the City's financial positions and economic activity.

Major Initiatives

The City currently has two projects underway. The Clark Field Municipal Airport is working on a runway extension project. This is a \$5 million dollar project with a 90/10 match coming from TXDOT Aviation. The environmental study is currently being done. The City is also working on expanding the Bosque River Trail. Land is being acquired for the expansion. The City is working on this project with TXDOT. It is an 80/20 match. Currently the City has no plans to issue debt.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement in Financial Reporting to the City of Stephenville for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2013.

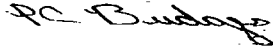
The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. This award was the 29th consecutive year that the City of Stephenville has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

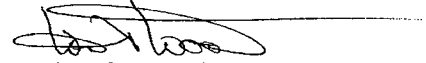
The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire city staff. We would like to express our appreciation to all staff members who assisted and contributed to its preparation. We would also like to thank the Mayor and City Council Members for their

interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully Submitted,

Handwritten signature of Patrick C. Bridges in cursive script.

Patrick C. Bridges
City Administrator

Handwritten signature of Walter G. Wood in cursive script.

Walter G. Wood
Director of Finance & Administration



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

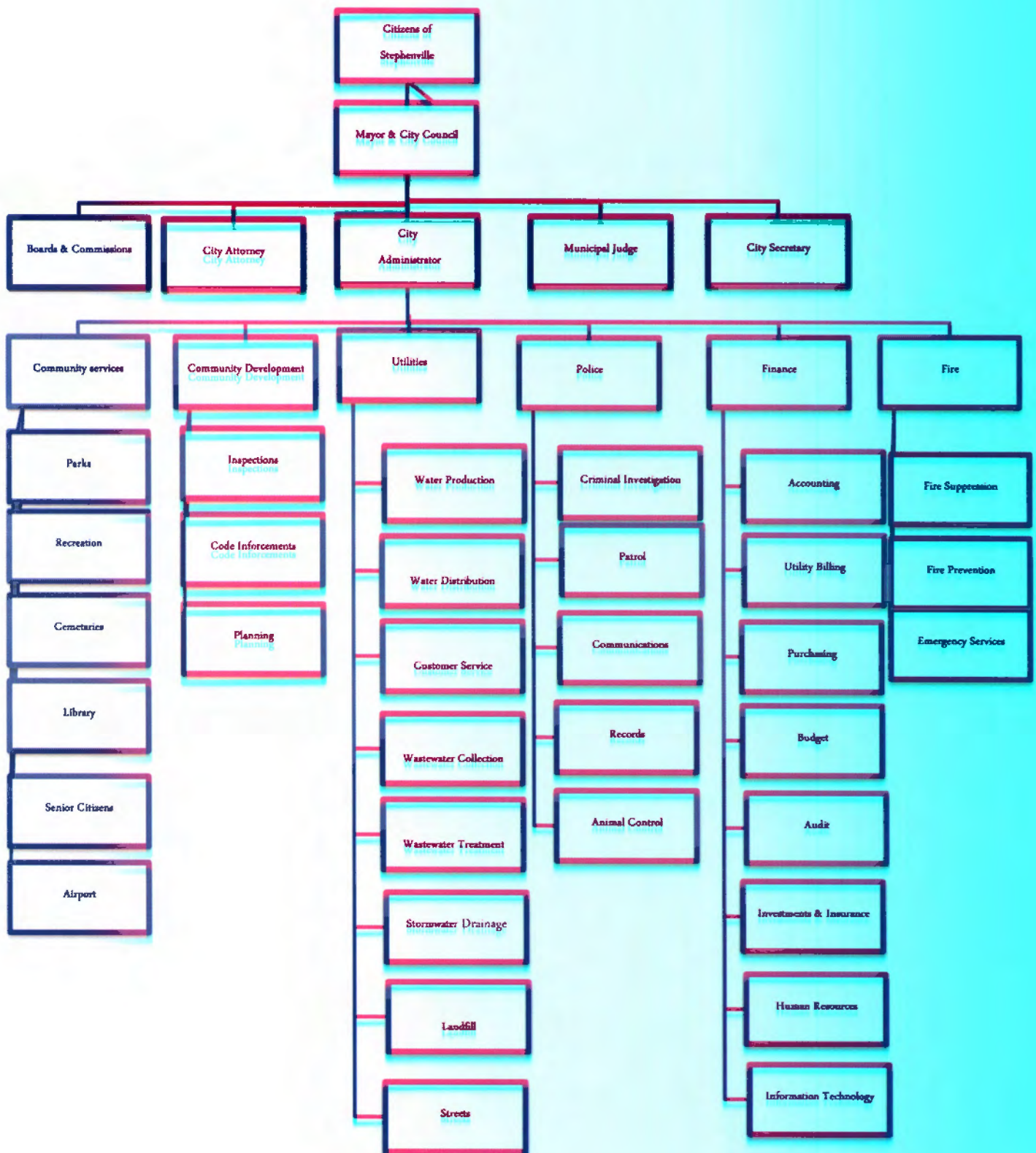
**City of Stephenville
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013

A handwritten signature in black ink, reading "Jeffrey R. Enen". The signature is fluid and cursive.

Executive Director/CEO





Stephenville

City of Stephenville, Texas
298 W. Washington

Principal City Officials

City Council

Mayor: Kenny Weldon
Place 1: Casey Hogan
Place 2: Boyd Waggoner
Place 3: Doug Svien
Place 4: Russ McDanel
Place 5: Brady Pendleton
Place 6: Alan Nix
Place 7: Sherry Zachery
Place 8: Jerry Warren

Staff

City Administrator, Patrick C. Bridges
Director of Finance/Administration, Walter G. Wood
Director of Utilities, Nick Williams
Interim Director of Community Development, Judy Miller
Acting Police Chief, Jason King
Fire Chief, Jimmy Chew
Director of Community Services, Jeremy Allen
City Secretary, Cindy Stafford

Financial Section

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RUTLEDGE CRAIN & COMPANY, PC
CERTIFIED PUBLIC ACCOUNTANTS
2401 Garden Park Court, Suite B
Arlington, Texas 76013

INDEPENDENT AUDITORS' REPORT

To the City Council
City of Stephenville, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Stephenville, Texas as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Stephenville, Texas, as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-13 and 48-50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for

consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Stephenville, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Butledge Crain & Company, PC

Arlington, Texas
January 15, 2015

Management's Discussion and Analysis

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CITY OF STEPHENVILLE, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS FISCAL YEAR ENDED SEPTEMBER 30, 2014 (Unaudited)

This section of the City of Stephenville's (City) annual financial report presents our discussion of the City's financial performance during the fiscal year ended September 30, 2014. Please read it in conjunction with the transmittal letter, which can be found preceding this narrative, and with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the City exceed its liabilities as of September 30, 2014, by \$64,933,279 (net position). Of this amount, \$13,262,682 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net position increased by \$2,922,197. The majority of this increase is attributable to capital grants and excess revenue over expenditures.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,120,500, an increase of \$836,769 over the prior year. The increase in combined ending fund balances is attributable to revenues received being more than budgeted and expenditures being less than budgeted. Approximately 91% of this total amount, \$9,285,243 is available for spending at the government's discretion (assigned and unassigned fund balance).
- As of September 30, 2014, unassigned fund balance for the General Fund was \$5,868,872 or 48% of total General Fund expenditures.
- The City's total bond debt decreased by \$1,276,000 (5.76%) during the current fiscal year as a result of principal retirement.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Stephenville's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City's assets, deferred resources outflow, liabilities and deferred resources inflows with the difference reported as net position. Over time, increases or decreases in net positions may serve as a useful indicator of whether the financial position of the City of Stephenville is improving or deteriorating. The government-wide financial statements can be found on pages 17 -19 of this report.

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensation absences). Both the Statement of Net Position and the Statement of Activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, streets, library, cemetery, culture and recreation, and community development. The business-type activities of the City include water and wastewater, storm water drainage, solid waste, and airport operations.

Reporting the City's Most Significant Funds

Fund Financial Statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state laws or bond covenants. The Council establishes other funds to control and manage money for particular purposes or as evidence of meeting legal responsibilities for using certain taxes, grants and other money. The City has two types of funds: governmental funds and proprietary funds.

Governmental Funds. The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the available balances at year-end. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there has been an increase or decrease in financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationship or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are detailed in a reconciliation following the fund financial statements. The basic governmental fund financial statements can be found on pages 20-23 of this report.

A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the annual appropriated budget. Data for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining fund statements and schedules elsewhere in this report.

Proprietary Funds. The City charges customers for the services it provides through service delivery agreements to outside customers or through customer service agreements within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same manner that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are identical to the business-type activities that are reported in the government-wide statements, but with additional detail and information, such as cash flows. Individual proprietary fund data is found on pages 24 – 26 of this report.

The City maintains one type of proprietary fund-Enterprise Funds. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the Enterprise Funds to account for water, wastewater, storm water drainage, solid waste, and airport operations. All activities associated with providing such services are accounted for in these funds, including administration, operation, maintenance, debt service, capital improvements, billing and collection. The City's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and funds financial statements. The notes to the financial statements can be found on pages 27 – 45 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information in the form of combining fund statements and schedules for nonmajor funds. These are presented immediately following the notes to the financial statements beginning on page 54 of this report.

THE CITY AS A WHOLE

GOVERNMENT WIDE FINANCIAL ANALYSIS

The City's combined net assets were \$64,933,279 as of September 30, 2014, an increase of 4.71% compared to fiscal year ending 2013. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Analyzing the net position and net expenses of governmental and business-type activities separately, the business-type activities net assets are \$37,235,531, an increase of \$1,483,314 over prior year. The governmental activities net positions is \$27,697,748, an increase of \$1,438,883 over prior year.

By far, the largest portion of the City's net position (77 percent) reflects its investments in capital assets (e.g., land, buildings, machinery, equipment and infrastructure) less any outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$1,546,290, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$13,262,682, may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2014, the City is able to report positive balances in all three categories of net position, both for government as a whole, as well as for its separate governmental and business-type activities. The same held true for the prior fiscal year. Overall, the City had an increase in net assets of \$2,922,197.

CITY OF STEPHENVILLE'S NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 11,628,579	\$ 11,127,740	\$ 6,421,755	\$ 6,762,381	\$ 18,050,334	\$ 17,890,121
Capital assets	22,359,389	22,330,115	48,512,543	47,302,823	70,871,932	69,632,938
Total assets	<u>33,987,968</u>	<u>33,457,855</u>	<u>54,934,298</u>	<u>54,065,204</u>	<u>88,922,266</u>	<u>87,523,059</u>
Deferred Resources Outflow	20,692	21,811	68,587	65,592	89,279	87,403
Current liabilities	1,082,158	1,532,522	1,098,685	889,194	2,180,843	2,421,716
Non Current liabilities	5,228,754	5,681,751	16,655,229	17,475,305	21,883,983	23,157,056
Total liabilities	<u>6,310,912</u>	<u>7,214,273</u>	<u>17,753,914</u>	<u>18,364,499</u>	<u>24,064,826</u>	<u>25,578,772</u>
Deferred Resources Inflow	-	6,528	13,440	14,080	13,440	20,608
Net Position:						
Net investment in capital assets	18,024,389	17,032,179	32,099,918	30,080,475	50,124,307	47,112,654
Restricted	523,019	870,780	1,023,271	2,706,411	1,546,290	3,577,191
Unrestricted	9,150,340	8,355,906	4,112,342	2,965,331	13,262,682	11,321,237
Total net position	<u>\$ 27,697,748</u>	<u>\$ 26,258,865</u>	<u>\$ 37,235,531</u>	<u>\$ 35,752,217</u>	<u>\$ 64,933,279</u>	<u>\$ 62,011,082</u>

Governmental Activities. The table on the following page provides a summary of the City's operations for the year ended September 30, 2014, with comparative totals for the year ended September 30, 2013. Governmental activities increased the City's net position by \$1,438,883 or 49% of the total growth in net assets.

The City's total revenues for governmental activities increased from the previous year by \$877,329 or 6.5%. General revenues increased \$973,591 or 8.5% compared to prior year.

The ad valorem tax revenue increased \$277,192 or 5.97% compared to prior year. This increase was due to an increase in net assessed taxable value from \$947 million in the prior fiscal year to \$983 million in the current fiscal year.

Sales tax revenue increased \$204,042 or 3.86% compared to the prior year. This increase was primarily due to the economic development incentives given to Tejas Tubular and FMC as well as the continued growth at Tarleton State University.

CITY OF STEPHENVILLE'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 1,862,193	\$ 1,967,697	\$ 7,888,627	\$ 7,471,596	\$ 9,750,820	\$ 9,439,293
Operating grants	63,038	53,796	-	-	63,038	53,796
Capital grants and contributions	188,262	-	109,614	27,652	297,876	27,652
General revenues:						
Property taxes	4,916,814	4,639,622	-	-	4,916,814	4,639,622
Sales taxes	5,485,705	5,281,663	-	-	5,485,705	5,281,663
Franchise taxes	1,566,671	1,431,650	-	-	1,566,671	1,431,650
Other taxes	50,288	40,720	-	-	50,288	40,720
Gain on sale of capital assets	110,122	10,056	-	-	110,122	10,056
Investment earnings	6,157	11,546	4,032	6,780	10,189	18,326
Miscellaneous	100,731	35,902	-	1,172	100,731	37,074
Total revenues	<u>14,349,981</u>	<u>13,472,652</u>	<u>8,002,273</u>	<u>7,507,200</u>	<u>22,352,254</u>	<u>20,979,852</u>
Expenses:						
General government	2,353,191	2,076,100	-	-	2,353,191	2,076,100
Public safety	6,948,549	6,786,524	-	-	6,948,549	6,786,524
Streets	1,274,173	1,432,818	-	-	1,274,173	1,432,818
Culture and recreation	2,037,539	2,157,175	-	-	2,037,539	2,157,175
Community development	444,401	521,710	-	-	444,401	521,710
Interest on long-term debt	108,289	128,398	-	-	108,289	128,398
Water and wastewater	-	-	5,237,160	5,021,616	5,237,160	5,021,616
Storm water drainage	-	-	305,179	535,056	305,179	535,056
Sanitary landfill	-	-	193,368	282,952	193,368	282,952
Airport	-	-	528,208	183,145	528,208	183,145
Total expenses	<u>13,166,142</u>	<u>13,102,725</u>	<u>6,263,915</u>	<u>6,022,769</u>	<u>19,430,057</u>	<u>19,125,494</u>
Increases in net position before transfers	1,183,839	369,927	1,738,358	1,484,431	2,922,197	1,854,358
Transfers	<u>255,044</u>	<u>256,849</u>	<u>(255,044)</u>	<u>(256,849)</u>	<u>-</u>	<u>-</u>
Change in net position	1,438,883	626,776	1,483,314	1,227,584	2,922,197	1,854,358
Net position-beginning	<u>26,258,865</u>	<u>25,632,089</u>	<u>35,752,217</u>	<u>34,524,633</u>	<u>62,011,082</u>	<u>60,156,722</u>
Net position-ending	<u>\$ 27,697,748</u>	<u>26,258,865</u>	<u>37,235,531</u>	<u>35,752,217</u>	<u>64,933,279</u>	<u>62,011,082</u>

Business-type Activities. Net position from business-type activities increased by \$1,483,314, accounting for 51% of the total growth in net position. The change in net position of business-type activities remained relatively consistent with the prior year due to the offsetting effects of changes in revenues and transfers.

Revenues of the City's business-type activities were approximately \$8 million for the fiscal year ended September 30, 2014. Revenues increased approximately \$495,073 or 6.6% compared to the prior fiscal year. The increase was primarily due to the flow of resources between governmental activities and business-type activities through transfers reversed from the prior year because of a decrease in grant-matching requirements normally funded by governmental activities.

Expenses for the City's business-type activities increased approximately \$241,146 or 4%. Net position from business-type activities increased by \$1,483,314 or 4.15 percent, from \$35,752,217 to \$37,235,531, accounting for the other 51 percent of the total growth in net assets.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,120,500, an increase of \$836,769 from the prior year. Approximately 91.7% of this total amount, \$9,285,243, constitutes assigned and unassigned fund balance, which is available for spending at the City's discretion. The remaining fund balance is nonspendable or restricted to indicate that it is not available for new spending. Refer to page 20 of this report for a more detailed presentation of governmental fund balances.

In the General Fund, the City budgeted for a decrease in the fund balance on a budget basis of \$598,607, but due to actual revenues being more than budgeted and actual expenditures being less than budgeted, the fund balance actually increased by \$1,214,205 during the current fiscal year. Sales tax collections increased by 3.86% from the previous year but the City collected \$185,705 or 3.5% more than budgeted. Other actual revenues collected were also higher than budgeted: 1) current year and delinquent property taxes were collected at higher rates than projected to generate \$187,271; 2) licenses and permit fees were \$110,174 less than budgeted; and 3) service charges were also lower than budgeted by \$81,495. Expenditures were lower than budgeted across all functions.

The Debt Service Fund has an ending fund balance of \$144,190, an increase of 9.9 percent over the prior year, all of which is reserved for the repayment of debt.

The Special Revenue Funds have a fund balance of \$310,419, a decrease of 8.5 percent over the prior year, all of which is restricted for the special programs defined by revenue source.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net positions of the City's Enterprise Funds at the end of the year amounted to \$4,146,368. The increase in net assets was \$1,483,314. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

During the year there was a \$384,623 increase in appropriations between the original budget and final amended budget. Following are the main components of the increase:

- \$ 49,390 additional appropriation to replace Dispatch-Communications system.
- \$125,000 additional appropriation for the Public Safety Building renovations.
- \$113,300 additional appropriation for Pay Plan implementation.

Even with these increases in appropriations, the excess in revenues during the year was sufficient to fund these increases without reducing the budgeted General Fund fund balance.

Actual expenditures on a budgetary basis were \$12,108,552 compared to the final budget expenditures of \$13,088,776. The \$980,224 variance was primarily attributable to capital projects not initiated during the year, due to close monitoring of expenditures by departments and performing better than anticipated. Actual revenues on a budgetary basis were \$12,906,095 compared to the final budget of \$12,566,619. The \$339,476 variance was due primarily to increases in sales taxes, property taxes and franchise fees.

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2014, amounts to \$70,873,074 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, vehicles and equipment, park facilities and infrastructure.

Major capital asset events occurring during the current fiscal year included the following:

- Public Safety Building Renovation \$175,000;
- Finish Construction - Fire Station #2 \$189,600;
- Alexander Road Street Renovation Project \$327,555 and
- Sanitary Sewer Line Replacement Project \$716,556.

CITY OF STEPHENVILLE'S CAPITAL ASSETS AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Land	\$ 2,367,036	\$ 2,350,098	\$ 2,434,794	\$ 1,083,120	\$ 4,801,830	\$ 3,433,218
Buildings and improvements	6,559,500	7,863,951	19,451,965	19,426,365	26,011,465	27,290,316
Equipment	8,148,306	7,250,269	3,167,770	3,087,670	11,316,075	10,337,939
Infrastructure	21,027,131	19,952,277	52,819,780	51,364,635	73,846,911	71,316,912
Construction in progress			219,275	132,641	219,275	132,641
Less: accumulated depreciation	(15,742,584)	(15,077,560)	(29,581,041)	(27,791,429)	(45,323,625)	(42,868,989)
Total Capital Assets	\$ 22,359,389	\$ 22,339,035	\$ 48,512,543	\$ 47,303,002	\$ 70,871,932	\$ 69,642,037

Additional information on the City's capital assets can be found on page 36 – 38 of this report.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had total bonded debt of \$21,076,850. Of this amount, \$4,840,000 represents bonded debt backed by the full faith and credit of the City, \$9,310,000 represents utility revenue bonds secured by water and sewer revenues and \$86,850 represents revenue bonds secured by airport revenues, and \$6,840,000 secured by storm water drainage revenues.

OUTSTANDING DEBT AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Certificates of obligation	\$ 4,840,000	\$ 5,300,000	\$ -	\$ -	\$ 4,840,000	\$ 5,300,000
Revenue bonds payable	-	-	16,236,850	17,052,850	16,236,850	17,052,850
Total Debt	\$ <u>4,840,000</u>	\$ <u>5,300,000</u>	\$ <u>16,236,850</u>	\$ <u>17,052,850</u>	\$ <u>21,076,850</u>	\$ <u>22,352,850</u>

The City's General Obligation, Tax and Certificates of Obligation Bond ratings are listed below.

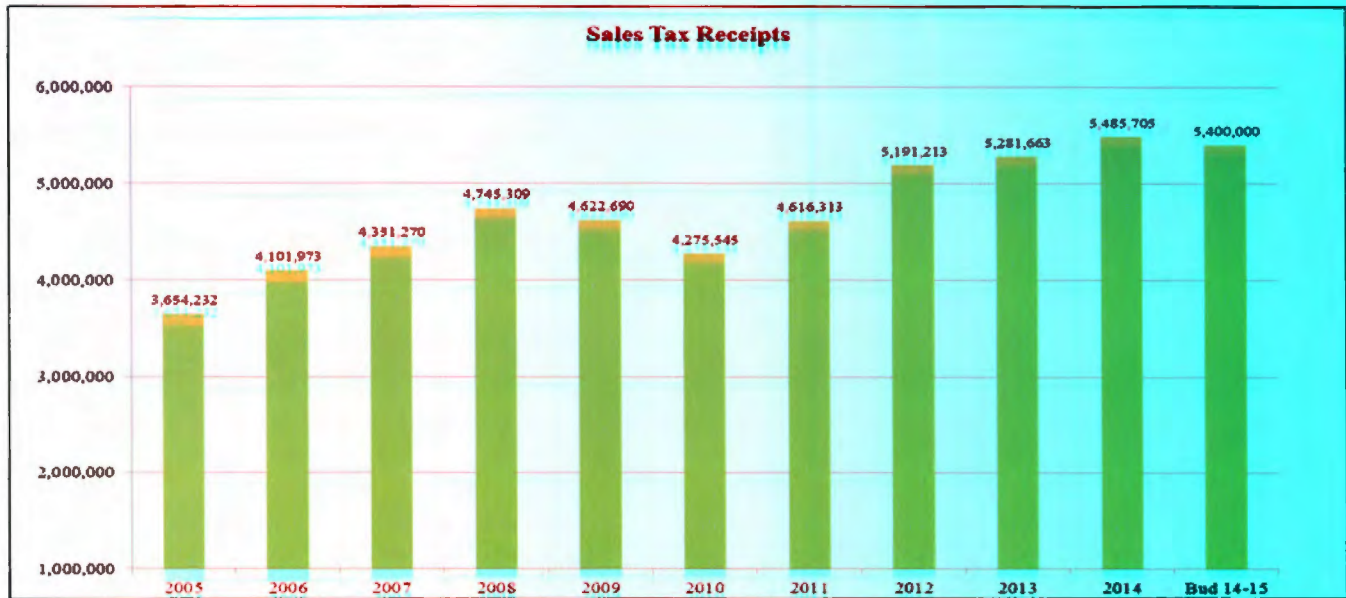
	Moody's <u>Investors Service</u>	Standard and Poor's
General Obligation Bonds	A3	AA-

Additional information on the City's long term-debt can be found in pages 39 – 41 this report.

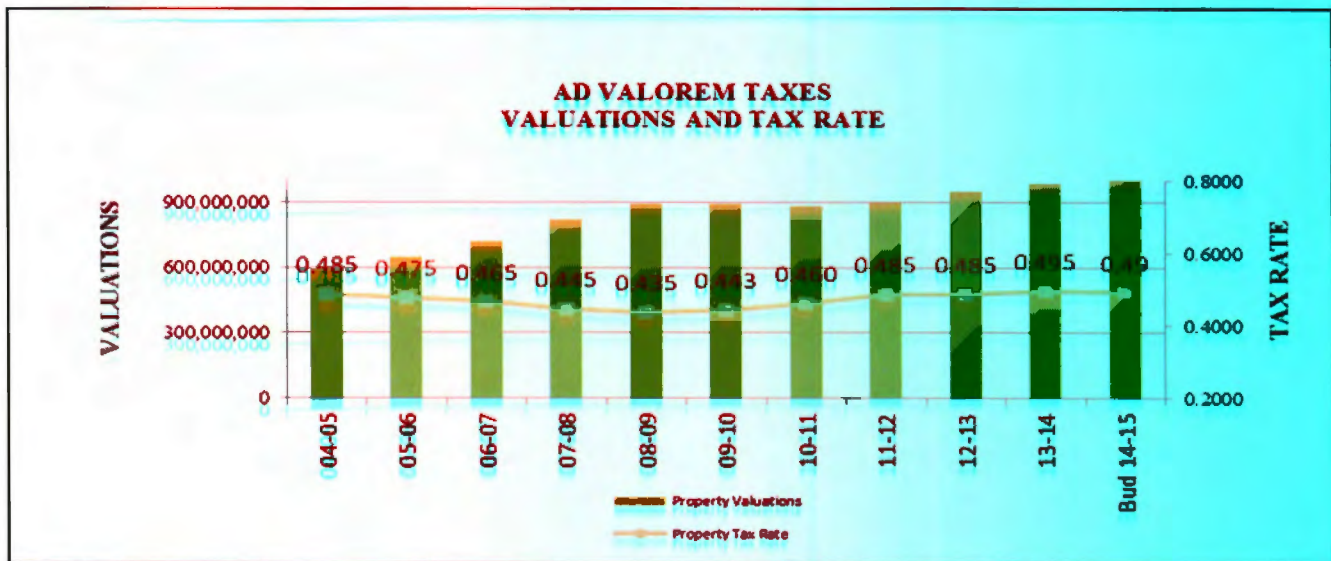
ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The unemployment rate for the City of Stephenville as of the fiscal year-end was 4.75% compared to the prior year rate of 5.54% which is an indication that the local economy is moving in a positive direction. This rate compares favorably with state and national unemployment levels.

Sales tax collections for 2013-2014 were up by 3.86% compared to the previous year and collections still exceeded budget by \$185,705. Economy seems to be improving but we are still taking a conservative approach in determining estimated collections for the upcoming budget year.



The above factors were considered in preparing the City of Stephenville's budget for the 2014-15 fiscal year. Accordingly, next years' budget incorporates a \$.005 decrease in the property tax rate to \$.4900 per \$100 valuation. Certified taxable property value for 2014 is \$1,005,609,983 billion. This is a 2.452% increase over the last year's values, or \$22 million. There is also \$15.6 million under protest that is expected to be resolved and become taxable during the year. Including the property that is under protest, property tax values increased by \$37.6 million. The largest portion of the increase, \$26.3 million, is new property coming onto the tax rolls \$10.3 million from new business personal property with the remainder of the increase due to the reevaluation of existing property.



The City uses reserves from the General Fund to supplement capital projects during the year as needs arise and where favorable unit pricing is received on such projects. Additionally, the City's Fiscal Management Practices call for the designation of any surplus of revenues over expenses at fiscal year-end as a means of providing resources for major capital projects. There are ample funds for transfers during FY 2014-15, should the City Council so desire, and still retain the minimum fund balance provisions established by the Fiscal Management Practices.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Walter G. Wood, Director of Finance, 298 West Washington, Stephenville, Texas 76401-4257 or call (254) 918-1211.

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Basic Financial Statements

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CITY OF STEPHENVILLE, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
<i>Cash and cash equivalents</i>	\$ 9,406,023	\$ 3,778,774	\$ 13,184,797
Receivables (net of allowances for uncollectibles):			
<i>Taxes</i>	1,243,458	--	1,243,458
<i>Accounts</i>	333,001	1,530,675	1,863,676
<i>Fines</i>	634,030	--	634,030
<i>Intergovernmental</i>	1,072	23,785	24,857
<i>Inventories</i>	8,816	--	8,816
<i>Prepaid items</i>	2,179	--	2,179
Restricted assets:			
<i>Cash and cash equivalents</i>	--	1,088,521	1,088,521
Capital Assets (net of accumulated depreciation):			
<i>Land</i>	2,367,036	2,434,794	4,801,830
<i>Buildings and improvements</i>	6,559,500	19,451,965	26,011,465
<i>Machinery and equipment</i>	8,148,306	3,167,770	11,316,076
<i>Infrastructure/water and wastewater distribution</i>	21,027,131	52,819,780	73,846,911
<i>Construction in progress</i>	--	219,275	219,275
<i>Accumulated depreciation</i>	(15,742,584)	(29,581,041)	(45,323,625)
Total Assets	33,987,968	54,934,298	88,922,266
DEFERRED OUTFLOWS OF RESOURCES			
<i>Deferred charges</i>	20,692	68,587	89,279
Total Deferred Outflows of Resources	20,692	68,587	89,279
LIABILITIES:			
<i>Accounts payable</i>	296,108	649,373	945,481
<i>Other payables and accrued liabilities</i>	272,375	22,135	294,510
<i>Accrued interest payable</i>	10,627	90,179	100,806
<i>Customer deposits</i>	--	336,989	336,989
<i>Due to other governments</i>	503,048	--	503,048
Liabilities payable from restricted assets:			
Noncurrent liabilities:			
<i>Due within one year</i>	783,528	2,045,951	2,829,479
<i>Due in more than one year</i>	4,445,226	14,609,287	19,054,513
Total Liabilities	6,310,912	17,753,914	24,064,826
DEFERRED INFLOWS OF RESOURCES			
<i>Unearned revenue</i>	--	13,440	13,440
Total deferred inflow of resources	--	13,440	13,440
NET POSITION:			
Net Investment in Capital Assets	18,024,389	32,099,918	50,124,307
Restricted For:			
Debt Service	153,366	1,023,271	1,176,637
Capital Projects	369,653	--	369,653
Unrestricted	9,150,340	4,112,342	13,262,682
Total Net Position	\$ 27,697,748	\$ 37,235,531	\$ 64,933,279

The accompanying notes are an integral part of this statement.

CITY OF STEPHENVILLE, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental Activities:				
General government	\$ 2,353,191	\$ 205,782	\$ --	\$ --
Public safety	6,948,549	1,073,839	49,390	3,616
Streets	1,274,173	28,170	--	184,645
Culture and recreation	2,037,539	288,540	13,648	--
Community development	444,401	265,863	--	--
Interest on long-term debt	108,289	--	--	--
Total governmental activities	13,166,142	1,862,194	63,038	188,261
Business-type Activities:				
Water and Wastewater Enterprise	5,237,160	6,708,108	--	101,725
Sanitary Landfill Enterprise	305,179	457,086	--	--
Airport Enterprise	193,368	104,440	--	7,889
Storm Water Drainage	528,208	618,993	--	--
Total Business-type Activities	6,263,915	7,888,627	--	109,614
Total Primary Government	\$ 19,430,057	\$ 9,750,821	\$ 63,038	\$ 297,875

General Revenues:

Taxes:

Property - general purposes

Property - debt service

Sales

Franchise

Other

Alcoholic Beverage Taxes

Unrestricted Investment Earnings

Miscellaneous

Gain (loss) on Disposal of Capital Assets

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Net Position - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
\$ (2,147,409)		\$ (2,147,409)
(5,821,704)		(5,821,704)
(1,061,358)		(1,061,358)
(1,735,351)		(1,735,351)
(178,538)		(178,538)
(108,289)		(108,289)
<u>(11,052,649)</u>		<u>(11,052,649)</u>
--	\$ 1,572,673	1,572,673
--	151,907	151,907
--	(81,039)	(81,039)
--	90,785	90,785
--	<u>1,734,326</u>	<u>1,734,326</u>
<u>(11,052,649)</u>	<u>1,734,326</u>	<u>(9,318,323)</u>
4,321,370	--	4,321,370
595,444	--	595,444
5,485,705	--	5,485,705
1,166,503	--	1,166,503
400,168	--	400,168
50,288	--	50,288
6,157	4,032	10,189
100,731	--	100,731
110,122	--	110,122
255,044	(255,044)	--
<u>12,491,532</u>	<u>(251,012)</u>	<u>12,240,520</u>
1,438,883	1,483,314	2,922,197
26,258,865	35,752,217	62,011,082
<u>\$ 27,697,748</u>	<u>\$ 37,235,531</u>	<u>\$ 64,933,279</u>

CITY OF STEPHENVILLE, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
<i>Cash and cash equivalents</i>	\$ 8,150,962	\$ 141,157	\$ 1,113,903	\$ 9,406,022
Receivables (net of allowances for uncollectibles):				
<i>Taxes</i>	1,163,111	11,136	69,211	1,243,458
<i>Fines</i>	634,030	--	--	634,030
<i>Accounts</i>	333,001	--	--	333,001
<i>Intergovernmental</i>	--	1,072	--	1,072
<i>Inventories</i>	8,816	--	--	8,816
<i>Prepaid items</i>	2,179	--	--	2,179
Total Assets	<u>\$ 10,292,099</u>	<u>\$ 153,365</u>	<u>\$ 1,183,114</u>	<u>\$ 11,628,578</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
<i>Accounts payable</i>	\$ 209,437	\$ --	\$ 86,671	\$ 296,108
<i>Other payables and accrued liabilities</i>	272,375	--	--	272,375
<i>Due to other governments</i>	503,048	--	--	503,048
Total Liabilities	<u>984,860</u>	<u>--</u>	<u>86,671</u>	<u>1,071,531</u>
Deferred Inflows of Resources:				
<i>Deferred revenue</i>	427,372	9,175	--	436,547
Total Deferred Inflows of Resources	<u>427,372</u>	<u>9,175</u>	<u>--</u>	<u>436,547</u>
Fund Balances:				
<i>Nonspendable</i>	10,995	--	--	10,995
<i>Restricted</i>	--	144,190	680,072	824,262
<i>Assigned</i>	3,000,000	--	416,371	3,416,371
<i>Unassigned</i>	5,868,872	--	--	5,868,872
Total fund balances	<u>8,879,867</u>	<u>144,190</u>	<u>1,096,443</u>	<u>10,120,500</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 10,292,099</u>	<u>\$ 153,365</u>	<u>\$ 1,183,114</u>	<u>\$ 11,628,578</u>

The accompanying notes are an integral part of this statement.

CITY OF STEPHENVILLE, TEXAS

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2014*

Total fund balances - governmental funds balance sheet	\$ 10,120,500
--	---------------

Amounts reported for governmental activities in the Statement of Net Position
are different because:

Capital assets used in governmental activities are not reported in the funds.	22,359,388
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	68,439
Payables for bond principal which are not due in the current period are not reported in the funds.	(4,858,734)
Payables for bond interest which are not due in the current period are not reported in the funds.	(10,625)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(370,021)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	20,693
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	130,982
Ambulance receivables unavailable to pay for current period expenditures are deferred in the funds.	237,126

Net position of governmental activities - Statement of Net Position	\$ <u>27,697,748</u>
---	----------------------

The accompanying notes are an integral part of this statement.

CITY OF STEPHENVILLE, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenue:				
Taxes	\$ 11,018,846	\$ 595,268	\$ 400,168	\$ 12,014,282
Service charges	1,131,850	--	--	1,131,850
Fines and forfeitures	261,324	--	32,761	294,085
Licenses and permits	261,126	--	--	261,126
Intergovernmental	124,134	--	3,616	127,750
Investment earnings	4,976	722	459	6,157
Miscellaneous	103,839	--	--	103,839
Total revenues	<u>12,906,095</u>	<u>595,990</u>	<u>437,004</u>	<u>13,939,089</u>
Expenditures:				
General government	1,822,932	--	466,166	2,289,098
Public safety	6,725,152	--	--	6,725,152
Highways and streets	780,006	--	--	780,006
Culture and recreation	1,795,809	--	--	1,795,809
Community development	419,054	--	--	419,054
Capital outlay	565,599	--	419,580	985,179
Debt service:				
Principal	--	465,000	--	465,000
Interest and fiscal charges	--	120,261	--	120,261
Bond issue costs	--	11,027	--	11,027
Advance refunding escrow	--	1,323,441	--	1,323,441
Total expenditures	<u>12,108,552</u>	<u>1,919,729</u>	<u>885,746</u>	<u>14,914,027</u>
Excess (deficiency) of revenues (under) expenditures	797,543	(1,323,739)	(448,742)	(974,938)
Other financing sources (uses):				
Transfers in	696,840	--	500,000	1,196,840
Transfers out	(500,000)	--	(441,796)	(941,796)
Sale of general capital assets	219,822	--	--	219,822
Issuance of debt	--	1,336,841	--	1,336,841
Total other financing sources (uses)	<u>416,662</u>	<u>1,336,841</u>	<u>58,204</u>	<u>1,811,707</u>
Net change in fund balances	1,214,205	13,102	(390,538)	836,769
Fund balances, October 1	7,665,662	131,088	1,486,981	9,283,731
Fund balances, September 30	<u>\$ 8,879,867</u>	<u>\$ 144,190</u>	<u>\$ 1,096,443</u>	<u>\$ 10,120,500</u>

The accompanying notes are an integral part of this statement.

CITY OF STEPHENVILLE, TEXAS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Net change in fund balances - total governmental funds	\$ 836,769
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	952,361
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,007,898)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.	(109,700)
Donations of capital assets increase net position in the SOA but not in the funds.	184,645
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	5,196
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,788,441
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	11,027
(Increase) decrease in accrued interest from beginning of period to end of period.	11,968
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(8,014)
Certain ambulance receivables are deferred in the funds. This is the change in these amounts this year.	117,567
Revenues in the SOA for court fines not providing current financial resources are not reported in the funds.	(6,638)
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(1,336,841)
Change in net position of governmental activities - Statement of Activities	\$ <u>1,438,883</u>

The accompanying notes are an integral part of this statement.

CITY OF STEPHENVILLE, TEXAS

STATEMENT OF NET POSITION

ENTERPRISE FUNDS

SEPTEMBER 30, 2014

	Enterprise Fund	Enterprise Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
	Water and Wastewater	Storm Water Drainage		
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 2,940,255	\$ 559,060	\$ 279,459	\$ 3,778,774
Accounts receivable - net	1,414,096	77,321	39,258	1,530,675
Intergovernmental	--	--	23,785	23,785
Due from other funds	219	--	--	219
Total Current Assets	4,354,570	636,381	342,502	5,333,453
Noncurrent assets:				
Restricted cash and cash equivalents	822,089	266,432	--	1,088,521
Capital assets:				
Land	1,515,395	--	919,399	2,434,794
Buildings and improvements	2,367,988	10,978,330	6,105,647	19,451,965
Machinery and equipment	1,887,562	--	1,280,208	3,167,770
Water and wastewater distribution	52,819,780	--	--	52,819,780
Construction in progress	146,907	--	72,368	219,275
Less accumulated depreciation	(25,877,085)	(1,312,340)	(2,391,616)	(29,581,041)
Total capital assets	32,860,547	9,665,990	5,986,006	48,512,543
Total noncurrent assets	33,682,636	9,932,422	5,986,006	49,601,064
Total Assets	38,037,206	10,568,803	6,328,508	54,934,517
DEFERRED OUTFLOW OF RESOURCES				
Deferred charges	24,082	44,505	--	68,587
Total Deferred outflow of resources	24,082	44,505	--	68,587
LIABILITIES				
Current Liabilities:				
Accounts payable	644,462	--	4,911	649,373
Accrued liabilities	19,254	--	2,881	22,135
Accrued interest payable	58,039	30,997	1,143	90,179
Customer deposits	335,389	--	1,600	336,989
Due to other funds	--	--	219	219
Compensated absences payable	39,724	--	3,171	42,895
Bonds payable	1,715,000	255,000	21,000	1,991,000
Total Current Liabilities	2,811,868	285,997	34,925	3,132,790
Long-term Liabilities:				
Compensated absences payable	13,241	--	1,058	14,299
Revenue bonds payable	7,624,113	6,776,176	65,850	14,466,139
Liability for landfill closure	--	--	140,905	140,905
Total Long-term Liabilities	7,637,354	6,776,176	207,813	14,621,343
Total Liabilities	10,449,222	7,062,173	242,738	17,754,133
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue	--	--	13,440	13,440
Total deferred inflow of resources	--	--	13,440	13,440
NET POSITION				
Net investment in capital assets	23,521,432	2,645,296	5,899,164	32,065,892
Restricted for debt service	764,050	235,436	23,785	1,023,271
Unrestricted	3,326,584	670,403	149,381	4,146,368
Total Net Position	\$ 27,612,066	\$ 3,551,135	\$ 6,072,330	\$ 37,235,531

The accompanying notes are an integral part of this statement.

CITY OF STEPHENVILLE, TEXAS
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Enterprise Fund	Enterprise Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
	Water and Wastewater	Storm Water Drainage		
OPERATING REVENUES:				
<i>Water sales</i>	\$ 3,698,805	\$ --	\$ --	\$ 3,698,805
<i>Wastewater charges</i>	2,590,482	--	--	2,590,482
<i>Tap and collection fees</i>	168,386	--	--	168,386
<i>Delinquent charges</i>	50,220	9,015	--	59,235
<i>Gate charges</i>	--	--	454,983	454,983
<i>Hanger rental</i>	--	--	99,209	99,209
<i>Storm water drainage fees</i>	--	609,978	--	609,978
<i>Other service charges</i>	193,009	--	6,984	199,993
Total Operating Revenues	<u>6,700,902</u>	<u>618,993</u>	<u>561,176</u>	<u>7,881,071</u>
OPERATING EXPENSES:				
<i>Personnel services</i>	1,086,040	--	142,129	1,228,169
<i>Contractual services</i>	1,222,155	--	33,760	1,255,915
<i>Utilities</i>	486,307	--	29,717	516,024
<i>Repairs and maintenance</i>	447,138	13,475	45,270	505,883
<i>Other</i>	250,152	--	46,012	296,164
<i>Depreciation</i>	1,374,319	274,458	197,574	1,846,351
Total Operating Expenses	<u>4,866,111</u>	<u>287,933</u>	<u>494,462</u>	<u>5,648,506</u>
Operating Income (Loss)	<u>1,834,791</u>	<u>331,060</u>	<u>66,714</u>	<u>2,232,565</u>
NON-OPERATING REVENUES (EXPENSES):				
<i>Interest revenue</i>	3,739	260	32	4,031
<i>Miscellaneous income</i>	7,207	--	8,239	15,446
<i>Interest expense</i>	(364,559)	(240,275)	(4,085)	(608,919)
<i>Miscellaneous expense</i>	(6,490)	--	--	(6,490)
Total Non-operating Revenues (Expenses)	<u>(360,103)</u>	<u>(240,015)</u>	<u>4,186</u>	<u>(595,932)</u>
Net Income (Loss) before Operating Transfers	<u>1,474,688</u>	<u>91,045</u>	<u>70,900</u>	<u>1,636,633</u>
TRANSFERS:				
<i>Capital Contributions</i>	101,725	--	--	101,725
<i>Operating transfers in</i>	--	--	--	--
<i>Operating transfers out</i>	(255,044)	--	--	(255,044)
Net income	<u>1,321,369</u>	<u>91,045</u>	<u>70,900</u>	<u>1,483,314</u>
Net position, October 1	<u>26,290,697</u>	<u>3,460,090</u>	<u>6,001,430</u>	<u>35,752,217</u>
Net position, September 30	<u>\$ 27,612,066</u>	<u>\$ 3,551,135</u>	<u>\$ 6,072,330</u>	<u>\$ 37,235,531</u>

The accompanying notes are an integral part of this statement.

CITY OF STEPHENVILLE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Enterprise Funds			
	Water and Wastewater	Storm Water Drainage	Nonmajor Enterprise Funds	Total Enterprise Funds
Cash Flows from Operating Activities:				
<i>Cash Received from Customers</i>	\$ 6,540,979	\$ 614,758	\$ 550,800	\$ 7,706,537
<i>Cash Payments to Employees for Services</i>	(2,395,047)	--	(141,092)	(2,536,139)
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(920,330)	(13,475)	(151,451)	(1,085,256)
Net Cash Provided (Used) by Operating Activities	<u>3,225,602</u>	<u>601,283</u>	<u>258,257</u>	<u>4,085,142</u>
Cash Flows from Non-capital Financing Activities:				
<i>Cash Received From (Paid to) Other Funds</i>	(255,044)	--	289	(254,755)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(255,044)</u>	<u>--</u>	<u>289</u>	<u>(254,755)</u>
Cash Flows from Capital and Related Financing Activities:				
<i>Principal and Interest Paid</i>	(990,926)	(502,227)	(25,373)	(1,518,526)
<i>Acquisition or Construction of Capital Assets</i>	(2,919,456)	(25,599)	(5,818)	(2,950,873)
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(3,910,382)</u>	<u>(527,826)</u>	<u>(31,191)</u>	<u>(4,469,399)</u>
Cash Flows from Investing Activities:				
<i>Interest and Dividends on Investments</i>	3,739	260	32	4,031
Net Cash Provided (Used) for Investing Activities	<u>3,739</u>	<u>260</u>	<u>32</u>	<u>4,031</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(936,085)	73,717	227,387	(634,981)
Cash and Cash Equivalents at Beginning of Year	4,698,429	751,775	52,072	5,502,276
Cash and Cash Equivalents at End of Year	<u>\$ 3,762,344</u>	<u>\$ 825,492</u>	<u>\$ 279,459</u>	<u>\$ 4,867,295</u>
Reported on Statement of Net Position				
Unrestricted cash	\$ 2,940,255	\$ 559,060	\$ 279,459	\$ 3,778,774
Restricted cash	822,089	266,432	--	1,088,521
	<u>\$ 3,762,344</u>	<u>\$ 825,492</u>	<u>\$ 279,459</u>	<u>\$ 4,867,295</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ 1,834,791	\$ 331,060	\$ 66,714	\$ 2,232,565
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
<i>Depreciation</i>	1,374,319	274,458	197,574	1,846,351
<i>Miscellaneous income</i>	7,207	--	8,239	15,446
Change in Assets and Liabilities:				
<i>Decrease (Increase) in Receivables</i>	(271,915)	(4,235)	(18,169)	(294,319)
<i>Increase (Decrease) in Accounts Payable</i>	165,710	--	3,308	169,018
<i>Increase (Decrease) in Accrued Liabilities</i>	10,605	--	931	11,536
<i>Increase (Decrease) in Customer Deposits</i>	104,785	--	300	105,085
<i>Increase (Decrease) in Unearned Revenue</i>	--	--	(640)	(640)
Total Adjustments	<u>1,390,711</u>	<u>270,223</u>	<u>191,543</u>	<u>1,852,477</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 3,225,502</u>	<u>\$ 601,283</u>	<u>\$ 258,257</u>	<u>\$ 4,085,042</u>
Non-Cash Activities:				
<i>Capital Contributions</i>	<u>\$ 101,725</u>	<u>--</u>	<u>\$ --</u>	<u>\$ 101,725</u>

The accompanying notes are an integral part of this statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Stephenville, Texas, was incorporated in 1854, and operates as a home rule City. The City operates under a mayor-council form of government and provides the following services as authorized by its charter, general government, public safety (police, fire, and EMS), highway and streets, culture and recreation, community development (planning and zoning, licensing, permitting and inspection), water and wastewater system, storm water drainage, airport and sanitary landfill.

The accounting policies of the City of Stephenville, Texas, conform to generally accepted accounting principles issued by the Governmental Accounting Standards Board which is the recognized financial accounting standard setting body for governmental entities. The notes to the financial statements are an integral part of the City's basic financial statements.

The accompanying basic financial statements comply with the provisions of the GASB Statement No. 14 and 39, in that the financial statements include all organizations, activities, functions and component units for which the City (the "primary government") is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City. There are no component units which satisfy requirements for blending within the City's financial states or for discrete presentation.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus and the accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus and the modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as

CITY OF STEPHENVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2014

well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the accumulation of resources to service the City's governmental long-term debt.

The City reports the following major proprietary funds:

The *Water and Wastewater Fund* operates the water distribution system and the wastewater treatment plants, wastewater pumping stations, and collection systems.

The *Storm Water Drainage Fund* is used to account for the activities necessary for the provisions of storm water drainage services..

Additionally, the City reports the following fund types:

Special Revenue Funds account for specific revenue sources that are legally restricted to expenditures for specified purposes (not including expendable trusts or major capital projects).

The *Capital Projects Fund* was established to account for resources to be used for the acquisition or construction of general major capital facilities. Financing is provided primarily by the sale of general obligation bonds and developer contributions.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and wastewater function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes, miscellaneous revenue, and interest income.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise fund are charges to customers for sales and services. The enterprise utility fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, liabilities, and net assets or equity

1. Cash and Cash Equivalents

The City maintains various accounts for each fund at its depository. The City also has cash maintained by agents for debt payments and reserves, construction reserves and worker compensation claims. For purposes of the statement of cash flows, the City considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

CITY OF STEPHENVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2014

The City investment policy authorizes the Director of Finance to invest in the following types of investments:

- a. Obligations of the United States Government, its agencies and instrumentality's, and government sponsoring enterprises, excluding collateralized mortgage obligations (CMOs), not to exceed two year to stated maturity;
- b. Fully insured or collateralized depository certificates of deposit from a bank doing business, in the State of Texas and under the terms of a written depository agreement with that bank, not to exceed one year to the stated maturity;
- c. Repurchase agreement and reverse repurchase agreements as defined by the Public Funds Investment Act, not to exceed 180 days to stated maturity, collateralized with Section VIII.A. above, provided an executed PSA Master Repurchase Agreement is on file with the City and the counter party bank or primary dealer, or flexible repurchase agreement longer than 180 days if matched to expenditure plan of the bond funds; and
- d. Constant dollar Texas Local Government Investment Pools as defined by the Public Funds Investment Act.
- e. FDIC insured brokered certificate of deposit securities from banks in any US state, delivered versus payment to the City's safekeeping depository, not to exceed two years to maturity. Before purchase, the Investment Officer or advisor must verify the FDIC status of the bank.
- f. General obligation bonds of states, agencies, counties, cities and other political subdivisions of any state rated A or better or its equivalent by two nationally recognized rating agencies and with a stated maturity not to exceed two (2) years.
- g. Fully insured or collateralized interest bearing accounts of any bank doing business in Texas.
- h. AAA-rated, SEC registered money market funds striving to maintain a \$1 net asset value.
- i. A1/PI commercial paper with a stated maturity not to exceed 180 days.

Investments having a maturity of 1 year or more, when purchased, are stated at fair value. Short term investments are stated at cost or amortized cost. All other investments are stated at fair value, which is based on quoted market prices.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter fund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles.

Property taxes are levied on October 1 by the City based on the January 1 property values as assessed by the Stephenville County Central Appraisal District. Taxes are due without penalty until January 31, of the next calendar year. After January 31 the City has an enforceable lien with respect to both real and personal property. Under state law, property taxes levied on real property constitute a perpetual lien on the real property which cannot be forgiven without specific approval of the State Legislature. Taxes applicable to personal property can be deemed uncollectible by the City.

CITY OF STEPHENVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2014

3. Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted assets

Certain proceeds of enterprise fund revenue bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the government are depreciated using the straight line method over the following estimated useful lives:

Airport improvements	40 years
Buildings	20 - 40 years
Waterworks and sanitation system	33 1/3 years
Infrastructure	20 years
Machinery and equipment	7 - 10 years

6. Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation pay benefits up to specified limits. Certain employees previously covered by civil service policies also have carried forward unused sick leave benefits. No liability is reported for unpaid accumulated sick leave for the remaining employees. Vacation pay is accrued when incurred in the government-wide, and proprietary fund type statement of net assets. Compensated absences are reported in governmental funds only if they have matured for example, as a result of employee's resignation and retirement.

7. Long-term obligations

In the government-wide financial statements, and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF STEPHENVILLE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

Year Ended September 30, 2014

8. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

9. Fund equity

Nonspendable Fund Balance Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted Fund Balance - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed Fund Balance - Amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council through legislation, resolution or ordinance, unless the City Council removes or changes the specified use by taking the same type of action used to commit the amounts.

Assigned Fund Balance - Amounts that are constrained by the City Council, or the City Manager or Director of Finance, based upon delegation of this authority by the City Council, that are to be used for specific purposes but are neither restricted nor committed.

Unassigned Fund Balance - Amounts that are available for any purpose; these amounts can be reported only in the City's General Fund.

Fund balance amounts represent the nature of the net resources that are reported in a governmental fund. The City fund balance classifications include non-spendable resources, restricted, and non-restricted (committed, assigned and unassigned) amounts. When the City incurs an expenditure and both restricted and unrestricted amounts are available, the City considers restricted amounts to have been spent first. When the City incurs an expenditure for an unrestricted amount, committed amounts are reduced first, followed by assigned amounts and then unassigned amounts for purposes in which any of those unrestricted fund balance classifications could be used.

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

CITY OF STEPHENVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2014

	General	Debt	Other	
	Fund	Service	Funds	Total
Fund Balances				
Nonspendable for:				
Inventories	\$8,816	\$ --	\$ --	\$8,816
Prepaid items	2,179	--	--	2,179
	10,995	--	--	10,995
Restricted for:				
Debt service	--	144,190	--	144,190
Tourism	--	--	185,267	185,267
Child safety	--	--	21,755	21,755
Public safety	--	--	31,948	31,948
Court technology	--	--	71,449	71,449
Capital Projects	--	--	369,653	369,653
	--	144,190	680,072	824,262
Assigned:				
Right of way	1,000,000	--	--	1,000,000
Capital replacement	500,000	--	416,371	916,371
Grant matching	850,000	--	--	850,000
Facilities	600,000			600,000
Economic development	50,000	--	--	50,000
	3,000,000	--	416,371	3,416,371
Unassigned	5,868,872	--	--	5,868,872
	<u>\$8,879,867</u>	<u>\$144,190</u>	<u>\$1,096,443</u>	<u>\$10,120,500</u>

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “Deferred resource outflows not available to pay for current-period expenditures and are deferred in the funds.” The details of this \$20,693 difference are as follows:

Bonds issuance costs:	
City	<u>\$20,693</u>

CITY OF STEPHENVILLE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

Year Ended September 30, 2014

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the General Fund, Special Revenue Funds, and the Debt Service Fund. All annual appropriations lapse at the end of each fiscal year. Budgets are adopted for the proprietary funds annually only as a management tool. There are no legally mandated budgetary constraints for the proprietary funds. Capital Project funds were not budgeted since project length financial plans usually extend into two or more fiscal years, this makes comparisons confusing and misleading.

In May of each year, budget preparation packages are distributed to all City agencies. The agencies of the City submit requests for appropriation to the City Administrator before June 15 so that a budget may be prepared. The budget is prepared by department and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. During August, the proposed budget is presented to the City Council for review. The City Council holds one public hearing before August 31 and may add to, subtract from, or change appropriations. Any changes in the budget must be within the revenue and reserves estimated as available by the City Administrator, or the revenue estimates must be changed by an affirmative vote of a majority of the City Council.

The appropriated budget is prepared by fund, function and department. The City's management may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the department level. The City Council made several supplementary budget appropriations during the year.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances lapse at year end and do not constitute expenditures or liabilities because the commitments must be reappropriated and honored during the subsequent year.

B. Expenditures over Appropriations

Expenditures exceeded appropriations in the General Fund in various departments. The following overruns were funded by unexpected revenues.

General government	
City council	\$5,642
City administrator	8,447
Municipal court	32
Public safety facility	2,693
Community development	
Community development planning	100
Public safety	
Police communications	850
Highways and streets	
Street maintenance	4,624
Culture and recreation	
Cemeteries	1,790

CITY OF STEPHENVILLE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

Year Ended September 30, 2014

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. At September 30, 2014, the City's deposits were entirely insured or collateralized with securities held by the pledging financial institution's trust department or agent in the City's name; as a result, the City's deposits were not exposed to custodial credit risk.

Investments

At September 30, 2014, the City had the following investments which are considered cash equivalents:

Investment Type	Fair Value	Weighted Average Maturity (Days)
TexPool	\$6,737,729	48
TexStar	6,251,445	50
	12,989,174	
Cash	1,284,144	
	<u>\$14,273,318</u>	

Cash and cash equivalents are reported in the

Statement of net assets as follows:

Governmental activities unrestricted	\$9,406,023
Business-type activities unrestricted	3,778,774
Business-type activities restricted	<u>1,088,521</u>
	<u>\$14,273,318</u>

The City's investment pools are 2a7-like pools. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Lehman Brothers, Inc. and Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accountants. The State Comptroller is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool. The fund is rated AAAM by Standard & Poor's.

TexSTAR is a local government investment pool created under the Interlocal Cooperation Act. The fund is rated AAAM by Standard & Poor's and maintains a maturity of 60 days or less, with a maximum maturity of 13 months for any individual security. The fund fulfills all requirements of the Texas Public Funds Investment Act for local government investment pools. TexSTAR is administered by First Southwest Asset Management, Inc. and JP Morgan Chase.

The fair value of the City's position in these pools is the same as the value of the pool shares.

CITY OF STEPHENVILLE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

Year Ended September 30, 2014

Interest Rate Risk. In accordance with its investment policy, the City manages its exposure to declines in fair market values by limiting the weighted average maturity of its investment portfolios to a maximum of 180 days.

Custodial Credit Risk. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U. S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2014, the City's entire deposit balance was collateralized with securities held by the pledging financial institution or covered by FDIC insurance.

Credit Risk. It is the City's policy to limit its investments to investment types with an investment quality rating not less than A or its equivalent by a nationally recognized statistical rating organization.

B. Receivables

Receivables as of year-end for the government's individual major funds and nonmajor, and proprietary funds, including the applicable allowances for uncollectible accounts, are as follows:

	General	Debt Service	Nonmajor and Other	Water and Wastewater	Storm Water	Nonmajor Enterprise
Taxes receivable - delinquent	\$1,193,510	\$14,618	\$69,211	\$ --	\$ --	\$ --
Allowance for uncollectibles	(30,399)	(3,482)	--	--	--	--
	<u>\$1,163,111</u>	<u>\$11,136</u>	<u>\$69,211</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Fines receivable	\$1,257,621	\$ --	\$ --	\$ --	\$ --	\$ --
Allowance for uncollectibles	(623,591)	--	--	--	--	--
	<u>\$634,030</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Accounts receivable	\$1,318,653	\$ --	\$ --	\$1,875,541	\$89,112	\$39,258
Allowance for uncollectibles	(985,652)	--	--	(461,445)	(11,791)	--
Net other receivables	<u>\$333,001</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$1,414,096</u>	<u>\$77,321</u>	<u>\$39,258</u>

Deferred/Unearned Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable (General Fund)	\$59,264	\$ --
Delinquent property taxes receivable (Debt Service Fund)	9,175	--
Ambulance charges for services	237,126	--
Fines receivable (General Fund)	130,982	--
Other (Airport Enterprise Fund)	--	13,440
Total deferred/unearned revenue for governmental funds	<u>\$436,547</u>	<u>\$13,440</u>

CITY OF STEPHENVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2014

C. Capital assets

Capital asset activity for the year ended September 30, 2014:

	Balance 9/30/13	Additions	Retirements	Completed Construction	Balance 9/30/14
GOVERNMENTAL ACTIVITIES:					
Capital assets, not being depreciated:					
Land	\$2,350,096	\$16,940	\$ --	\$ --	\$2,367,036
Construction in progress	990,201	--	--	(990,201)	--
Total capital assets not being depreciated	3,340,297	16,940	--	(990,201)	2,367,036
Capital assets, being depreciated:					
Buildings and improvements	6,873,750	--	(314,250)	--	6,559,500
Machinery and equipment	7,250,269	622,893	(137,377)	412,521	8,148,306
Infrastructure	19,952,277	497,174	--	577,680	21,027,131
Total capital assets being depreciated	34,076,296	1,120,067	(451,627)	990,201	35,734,937
Less accumulated depreciation for:					
Buildings and improvements	(1,542,930)	(150,790)	248,503	--	(1,445,217)
Machinery and equipment	(5,064,445)	(248,945)	92,326	--	(5,221,064)
Infrastructure	(8,470,185)	(607,214)	1,096	--	(9,076,303)
Total accumulated depreciation	(15,077,560)	(1,006,949)	341,925	--	(15,742,584)
Total capital assets being depreciated, net	18,998,736	113,118	(109,702)	--	19,992,353
Governmental activities capital assets, net	\$22,339,033	\$130,058	(\$109,702)	\$ --	\$22,359,389

CITY OF STEPHENVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2014

	Balance 9/30/13	Additions	Retirements	Completed Construction	Balance 9/30/14
BUSINESS-TYPE ACTIVITIES:					
Capital assets, not being depreciated:					
Land	\$1,083,120	\$1,351,674	\$ --	\$ --	\$2,434,794
Construction in progress	72,368	146,907	--	--	219,275
Total capital assets not being depreciated	1,155,488	1,498,581	--	--	2,654,069
Capital assets, being depreciated:					
Buildings and improvements	19,426,365	25,600	--	--	19,451,965
Machinery and equipment	3,087,670	144,224	(64,124)	--	3,167,770
Water and wastewater system	51,424,908	1,394,872	--	--	52,819,780
Total capital assets being depreciated	73,938,943	1,564,696	(64,124)	--	75,439,515
Less accumulated depreciation for:					
Buildings and improvements	(3,074,012)	(444,237)	--	--	(3,518,249)
Machinery and equipment	(1,871,185)	(221,921)	56,737	--	(2,036,369)
Water and wastewater system	(22,846,230)	(1,180,193)	--	--	(24,026,423)
Total accumulated depreciation	(27,791,427)	(1,846,351)	56,737	--	(29,581,041)
Capital assets being depreciated, net	46,147,516	(281,655)	(7,387)	--	45,858,474
Business type activities capital assets, net	\$47,303,004	\$1,216,926	(\$7,387)	\$ --	\$48,512,543

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$64,062
Public safety	217,817
Streets	446,343
Culture and recreation	248,883
Community development	29,844
Total depreciation expense - governmental activities	<u>\$1,006,949</u>

Business-type activities:

Water and sewer	\$1,374,319
Storm Water Drainage	274,458
Nonmajor Enterprise Funds	197,574
Total depreciation expense - business-type activities	<u>\$1,846,351</u>

CITY OF STEPHENVILLE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

Year Ended September 30, 2014

Construction commitments

The City has active construction projects as of September 30, 2014. The projects include street construction, parking improvements, water system improvements, and sewer system improvements.

Project	Spent to Date	Remaining Commitment
CDBG Sewer Line Rehab	\$146,907	\$253,094
Bosque River Trail Phase II	130,573	1,816,417
	<u>\$277,480</u>	<u>\$2,069,511</u>

The sewer line rehabilitation is being financed by revenue bond proceeds. The Bosque river Trail Phase II improvements are being financed by general obligation bond proceeds.

D. Interfund receivables, payables, and transfers

The composition of interfund due from and due to accounts for the year ended September 30, 2014, is as follows:

Fund	Due From	Due To
Major Governmental Funds		
Water and Wastewater Enterprise Fund	\$219	\$ --
Landfill Enterprise Fund	--	219
Totals	<u>\$219</u>	<u>\$219</u>

Due to and due from accounts arise from temporary cash over drafts in pooled cash.

The composition of interfund transfers for the year ended September 30, 2014, is as follows:

Fund	Transfer In	Transfer Out
Major Governmental Funds		
General Fund	\$696,840	\$500,000
Nonmajor Governmental Funds		
Capital Projects	500,000	441,796
Major Business-type Funds		
Water and Wastewater Enterprise Fund	--	255,044
Totals	<u>\$1,196,840</u>	<u>\$1,196,840</u>

The transfer from the Water and Wastewater Fund to the General Fund was for payments in lieu of taxes. The transfer from the General Fund to the Capital Projects Fund was for construction of fire station #2. The transfer from the Capital Projects Fund to the General Fund was for excess funds from construction project.

CITY OF STEPHENVILLE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

Year Ended September 30, 2014

E. Long-term debt

The City issues general obligation debt (in the form of general obligation bonds, certificates of obligation, contractual obligations, and notes payable) to provide funds for the acquisition and construction of major capital facilities. General obligation debt has been issued for both governmental and business-type activities. These issues are direct obligations and pledge the full faith and credit of the City.

Governmental Activities

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities of governmental activities and to refund previous issues. General obligation bonded debt of the City is as follows:

\$360,000 Combination Tax and Revenue Certificates of Obligation - Series 2014, principal due annually in series through 2033, interest due semi-annually at 2.00% - 4.00%	\$185,000
\$1,315,000 General Obligation - Series 2014, principal due annually in series through 2019, interest due semi-annually at 3.85%	1,315,000
\$4,000,000 Combination Tax and Revenue Certificates of Obligation - Series 2011, principal due annually in series through 2031, interest due semi-annually at 1.75% - 4.25%	<u>3,340,000</u>
Total Governmental Activities Bonds	<u>\$ 4,840,000</u>

Business-type Activities

The City also issues revenue bonds to finance business-type activities, primarily for construction of infrastructure, where it pledges net available revenue to repay debt. Net available revenue, as defined, totaled \$3,209,110 which was coverage of 1.63 times revenue bond debt service of \$1,964,559:

\$5,500,000 Combination Tax and Revenue Certificates of Obligation - Series 2001, principal due annually in series through 2016, interest due semi-annually at 4.59%	\$ 2,135,000
\$575,000 Combination Tax and Revenue Certificates of Obligation Refunding Bonds - Series 2013, principal due annually in series through 2033, interest due semi-annually at 2.0% to 4.0%	530,000
\$275,000 Combination Tax and Revenue Certificates of Obligation - Series 2003A, principal due annually in series through 2018, interest due semi-annually at 4.15%	86,850
\$2,000,000 Combination Tax and Revenue Certificates of Obligation - Series 2006, principal due annually in series through 2016, interest due semi-annually at 3.77%	470,000
\$4,300,000 Combination Tax and Revenue Certificates of Obligation - Series 2006A, principal due annually in series through 2027, interest due semi-annually at 3.92%	3,160,000
\$1,000,000 Combination Tax and Revenue Certificates of Obligation - Series 2013, principal due annually in series through 2024, interest due semi-annually at 2.49%	1,000,000
\$3,830,000 Combination Tax and Revenue Certificates of Obligation Refunding Bonds - Series 2013, principal due annually in series through 2033, interest due semi-annually at 2.00% to 4.00%	<u>3,680,000</u>
Total Revenue Bonds	11,061,850
\$5,175,000 General Obligation Bonds - Series 2014, principal due annually in series through 2019, interest due semi-annually at 1.19%	<u>5,175,000</u>
Total Business Activities Bonds	<u>\$ 16,236,841</u>

CITY OF STEPHENVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2014

Annual debt service requirements to maturity for general debt:

Year	Governmental Activities		Business Type Activities		Total
	Principal	Interest	Principal	Interest	
2015	\$505,000	\$77,204	\$1,991,000	\$483,186	\$3,056,390
2016	415,000	66,463	2,082,000	380,246	2,943,709
2017	390,000	97,445	1,918,000	301,563	2,707,008
2018	365,000	128,193	1,935,865	269,551	2,698,609
2019	380,000	121,695	1,955,000	237,975	2,694,670
2020-2024	990,000	490,238	2,540,000	920,370	4,940,608
2025-2029	1,225,000	255,531	1,965,000	538,524	3,984,055
2030-2033	570,000	24,438	1,849,985	151,400	2,595,823
Total	<u>\$4,840,000</u>	<u>\$1,261,207</u>	<u>\$16,236,850</u>	<u>\$3,282,815</u>	<u>\$25,620,872</u>

CHANGES IN LONG-TERM LIABILITIES

During the year ended September 30, 2014, the following changes occurred in liabilities reported in the capital long-term debt:

	Balance 9/30/13	Additions	Retirements	Balance 9/30/14	Due Within One Year
Governmental activities:					
General obligation bonds	\$5,300,000	\$1,315,000	(\$1,775,000)	\$4,840,000	\$505,000
Deferred amounts:					
Unamortized premium	22,331	--	(1,145)	21,186	1,146
Unamortized Discount	(2,585)	--	133	(2,452)	(133)
Total bonds payable	5,319,746	1,315,000	(1,776,012)	4,858,734	506,013
Compensated absences	362,005	279,520	(271,505)	370,020	277,515
Governmental activity Long-Term Liabilities	<u>\$5,681,751</u>	<u>\$1,594,520</u>	<u>(\$2,047,517)</u>	<u>\$5,228,754</u>	<u>\$783,528</u>

CITY OF STEPHENVILLE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

Year Ended September 30, 2014

	Balance 9/30/13	Additions	Retirements	Balance 9/30/14	Due Within One Year
Business-type activities:					
Revenue Combo Bonds	\$17,052,850	\$6,175,000	(\$6,991,000)	\$16,236,850	\$1,991,000
Deferred amounts:					
Unamortized premium	271,889	--	(22,406)	249,483	13,634
Unamortized (discount)	(30,771)	--	1,578	(29,193)	(1,578)
Total bonds payable	17,293,968	6,175,000	(7,011,828)	16,457,140	2,003,056
Capital lease obligations	99,661	--	(99,661)	--	--
Estimated landfill closure and					
Postclosure cost	137,432	3,473	--	140,905	--
Compensated absences	49,932	44,711	(37,449)	57,194	42,895
Business-type activities	<u>\$17,580,993</u>	<u>\$6,223,184</u>	<u>(\$7,148,938)</u>	<u>\$16,655,239</u>	<u>\$2,045,951</u>

For the governmental activities, claims and judgements and compensated absences are generally liquidated by the general fund.

Authorized and Unissued Debt

There is no authorized but unissued debt at September 30, 2014.

Current Refundings

The City of Stephenville, Texas issued \$6,490,000 of General Obligation Refunding Bonds for a current refunding of the City's Series 2004 and 2009 bond obligations. The refunding was undertaken to reduce total future debt service payments. The transaction resulted in an economic gain of \$884,423 and a reduction of \$963,414 in future debt service payments.

Contingent Arbitrage Liabilities

The City has invested a portion of revenue bond proceeds as a reserve for the retirement of the bonds. Any excess of interest revenue earned on invested proceeds over interest paid on the bonds must be rebated to the federal government every five years.

V. OTHER INFORMATION

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; and other claims of various nature. The City participates in the Texas Municipal League Intergovernmental Risk Pool. As an insured, the City is not obligated to reimburse the pool for losses. The City has not had any significant reductions in insurance coverage, nor have insurance settlements for the last three fiscal years exceeded insurance coverage. Any losses reported but unsettled or incurred and not reported, are believed to be insignificant to the City's financial statements. The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures.

CITY OF STEPHENVILLE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

Year Ended September 30, 2014

B. Contingent Liabilities and Commitments

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's management that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

The city signed a contract to upgrade the water meter system and is financing the system upgrade through a financing lease estimated to be \$2,988,000. At September 30, 2014, the meter replacement project had not started and, accordingly, the commitment had not been funded.

C. Municipal Solid Waste Landfill Closure and Post Closure Costs

The City has constructed a Type IV sanitary landfill, which began operations on December 1, 1995. This facility is permitted to accept only brush and/or construction demolition wastes and rubbish free of household wastes.

State and federal laws and regulations require the City to place a final cover on the landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for a period of five years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City will report a portion of these closure and post closure costs as an operating expense in each period based on landfill capacity used to date. Estimated closure and 5-year post closure costs are approximately \$405,698. The landfill site has an estimated net capacity of 584,974 cubic yards and is expected to be closed within the next 10 years; approximately 47.71% of the landfill was used at year-end. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City has received written authorization from the state that no annual contributions are required, thus the intent of the City is to fund the required expenses as incurred.

D. Employee retirement systems and pension plans

1. Plan Description

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 827 currently administered by TMRS, an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the city are within the options available within the options available in the governing state statutes of TMRS.

TMRS issues a publically available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the system. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

CITY OF STEPHENVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2014

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	Plan Year 2012	Plan Year 2013	Plan Year 2014
Employee deposit rate	6.0%	6.0%	6.0%
Matching ratio (city to employee)	2 to 1	2 to 1	2 to 1
Years required for vesting	5	5	5
Service retirement eligibility (Expressed as age/years of service)	60/5,0/20	60/5,0/20	60/5,0/20
Updated service credit	100% repeating, transfers	100% repeating, transfers	100% repeating, transfers
Annuity increase (to retiree)	70% of CPI repeating	70% of CPI repeating	70% of CPI repeating

Contributions

Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/(asset) are as follows:

Accounting Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation
9/30/12	\$1,013,729	\$1,013,729	100%	--
9/30/13	1,046,563	1,046,563	100%	--
9/30/14	1,058,128	1,058,528	100%	--

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

CITY OF STEPHENVILLE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

Year Ended September 30, 2014

Actuarial Valuation Date	12/31/11	12/31/12	12/31/13
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
GASB 25 equivalent single amortization period	27 years; closed period	26 years; closed period	25 years; closed period
Amortization period for new gains/losses	30 years	30 years	30 years
Asset valuation method	10 year smoothed market	10 year smoothed market	10 year smoothed market
Actuarial Assumptions			
Investment rate of return*	7.0%	7.0%	7.0%
Projected salary increases*	Varies by age and service	Varies by age and service	Varies by age and service
*Includes inflation at	3.0%	3.0%	3.0%
Cost of living adjustments	2.1%	2.1%	2.1%

Funded Status and Funding Progress

The funded status as of December 31, 2013, the most recent actuarial valuation date, is presented as follows:

Actuarial accrued liability (AAL)	\$35,818,058
Actuarial value of plan assets	<u>30,350,563</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 5,467,495</u>
Funded ratio (actuarial value of plan assets/ALL)	84.7%
Covered payroll (annual payroll of active employees covered by the plan)	\$6,634,190
UAAL as a percentage of covered payroll	82.4%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

E. Other Postemployment Benefits

Supplemental Death Benefits Fund (SDBF)

The City also participates in the cost sharing multiple-employer defined benefit group term life binsurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12- month

CITY OF STEPHENVILLE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

Year Ended September 30, 2014

period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended 2014, 2013 and 2012 were \$12,351, \$12,003, and \$11,407, respectively, which equaled the required contributions each year.

Schedule of Contribution Rates

(Retiree-only portion of the rate)

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2012	0.17%	0.17%	100%
2013	0.18%	0.18%	100%
2014	0.18%	0.18%	100%

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Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

CITY OF STEPHENVILLE, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT B-1
Page 1 of 2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes	\$ 10,555,084	\$ 10,555,084	\$ 11,018,846	\$ 463,762
Service charges	1,213,345	1,213,345	1,131,850	(81,495)
Fines and forfeitures	250,000	250,000	261,324	11,324
Licenses and permits	371,300	371,300	261,126	(110,174)
Intergovernmental	114,390	114,390	124,134	9,744
Investment earnings	5,500	5,500	4,976	(524)
Miscellaneous	57,000	57,000	103,839	46,839
Total revenues	12,566,619	12,566,619	12,906,095	339,476
Expenditures:				
Current:				
General Government				
City council	62,877	62,877	68,519	(5,642)
City administrator	139,478	202,851	211,298	(8,447)
City secretary	97,343	98,643	94,930	3,713
Emergency management	3,750	50,050	45,671	4,379
Municipal buildings	119,286	119,786	108,296	11,490
Municipal service center	85,693	85,693	81,069	4,624
Financial administration and accounting	456,340	466,340	453,157	13,183
Purchasing	63,216	63,216	62,072	1,144
Tax assessment and collection	141,000	141,000	138,044	2,956
Legal counsel	90,848	107,848	107,735	113
Municipal court	147,500	153,900	153,932	(32)
Human resources	180,811	108,511	101,753	6,758
Public safety facility	220,440	220,440	196,456	23,984
Total General Government	1,808,582	1,881,155	1,822,932	58,223
Public Safety				
Fire and ambulance administration	237,182	267,682	261,661	6,021
Fire prevention and investigation	175,259	184,559	180,418	4,141
Fire suppression	1,199,941	1,219,901	1,178,568	41,333
Emergency medical services	1,127,245	1,127,245	1,105,572	21,673
Volunteer	32,341	32,341	22,109	10,232
Police administration	326,619	344,119	326,826	17,293
Police patrol	1,986,701	2,054,201	1,988,384	65,817
Police communications	739,416	739,416	510,411	229,005
Support services	154,736	154,736	147,992	6,744
Criminal investigation	608,201	618,201	615,503	2,698
Professional standards	245,793	257,793	255,397	2,396
Animal control	130,774	134,274	132,311	1,963
Total Public Safety	6,964,208	7,134,468	6,725,152	409,316
Streets				
Street Maintenance	1,050,176	1,066,176	780,006	286,170
Total Streets	1,050,176	1,066,176	780,006	286,170
Culture and Recreation				
Recreation administration	709,344	709,344	674,067	35,277
Park maintenance	496,505	510,905	472,117	38,788
Cemeteries	142,661	142,661	133,792	8,869
Library	217,168	223,168	220,801	2,367
Senior citizens center	136,216	139,216	129,223	9,993
Aquatic center	211,281	211,281	165,809	45,472
Total Culture and Recreation	1,913,175	1,936,575	1,795,809	140,766

CITY OF STEPHENVILLE, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT B-1
Page 2 of 2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<i>Community Development</i>				
Community development planning	\$ 185,977	\$ 185,977	\$ 186,077	\$ (100)
Community development inspection	211,101	214,101	188,605	25,496
Code enforcement	86,235	86,235	44,372	41,863
Total Community Development	483,313	486,313	419,054	67,259
Total Current	12,219,454	12,504,687	11,542,953	961,734
<i>Capital outlay</i>				
<i>General Government</i>				
Emergency management	68,507	68,507	54,653	13,854
Municipal buildings	23,005	23,005	21,212	1,793
Public safety facility	75,000	125,000	127,693	(2,693)
Total General Government	166,512	216,512	203,558	12,954
<i>Public Safety</i>				
Fire and ambulance administration	9,546	9,546	8,832	714
Emergency medical services	39,793	39,793	37,421	2,372
Police patrol	150,000	150,000	140,306	9,694
Police communications	--	49,390	50,240	(850)
Criminal investigation	28,000	28,000	27,980	20
Total Public Safety	227,339	276,729	264,779	11,950
<i>Highways and Streets</i>				
Street Maintenance	70,000	70,000	74,624	(4,624)
Total Highways and Streets	70,000	70,000	74,624	(4,624)
<i>Culture and Recreation</i>				
Cemeteries	20,848	20,848	22,638	(1,790)
Total Culture and Recreation	20,848	20,848	22,638	(1,790)
Total Capital Outlay	484,699	584,089	565,599	18,490
Total expenditures	12,704,153	13,088,776	12,108,552	980,224
Excess (deficiency) of revenues (under) expenditures	(137,534)	(522,157)	797,543	1,319,700
Other financing sources (uses):				
Transfers in	220,000	220,000	696,840	476,840
Transfers out	--	(500,000)	(500,000)	--
Sale of fixed assets	203,550	203,550	219,822	16,272
Total other financing sources (uses)	423,550	(76,450)	416,662	(493,112)
Net change in fund balances	286,016	(598,607)	1,214,205	1,812,812
Fund balances, October 1	7,665,662	7,665,662	7,665,662	--
Fund balances, September 30	\$ 7,951,678	\$ 7,067,055	\$ 8,879,867	\$ 1,812,812

CITY OF STEPHENVILLE, TEXAS

EXHIBIT B-2

SCHEDULE OF FUNDING PROGRESS

September 30, 2014

(Unaudited)

Acturial Valuation Date	Acturial Value of Assets	Acturial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1)/(2)	(2)-(1)		(4)/(5)
12/31/2011	\$25,554,817	\$30,467,484	83.9%	\$4,912,667	\$5,949,603	82.6%
12/31/2012	27,767,415	32,045,179	86.7%	4,277,764	6,310,948	67.8%
12/31/2013	30,350,563	35,818,058	84.7%	5,467,495	6,631,190	82.5%

*Combining Statements and Budget Comparisons
as Supplementary Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds are used to account for specific revenue that is legally restricted to expenditures for particular purposes.

Hotel/Motel Occupancy Tax – This fund is used to account for hotel/motel occupancy tax revenue to be used for enhancing and promoting tourism and convention activity for the benefit of the hotel industry.

Child Safety – This fund is used to account for court costs used to operate a City school crossing guard program, or programs designated to enhance child safety, health, or nutrition; including child abuse prevention and intervention and drug and alcohol abuse prevention.

Public Safety – This fund is used to account for court costs used to promote various public safety programs.

Court Technology – This fund is used to account for court costs used to maintain technological enhancements for the municipal court.

The Capital Projects Fund was established to account for resources to be used for the acquisition or construction of general major capital facilities. Financing is provided primarily by the sale of general obligation bonds and developer contributions.

CITY OF STEPHENVILLE, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2014

	Special Revenue Funds	Capital Projects Fund Capital Projects	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS			
<i>Cash and cash equivalents</i>	\$ 327,879	\$ 786,024	\$ 1,113,903
Receivables (net of allowances for uncollectibles):			
<i>Taxes</i>	69,211	--	69,211
Total Assets	<u>\$ 397,090</u>	<u>\$ 786,024</u>	<u>\$ 1,183,114</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
<i>Accounts payable</i>	\$ 86,671	\$ --	\$ 86,671
Total Liabilities	<u>86,671</u>	<u>--</u>	<u>86,671</u>
Fund Balances:			
<i>Restricted</i>	310,419	369,653	680,072
<i>Assigned</i>	--	416,371	416,371
Total fund balances	<u>310,419</u>	<u>786,024</u>	<u>1,096,443</u>
Total Liabilities and Fund Balances	<u>\$ 397,090</u>	<u>\$ 786,024</u>	<u>\$ 1,183,114</u>

CITY OF STEPHENVILLE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Special Revenue Funds	Capital Projects Fund Capital Projects	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenue:			
<i>Taxes</i>	\$ 400,168	\$ --	\$ 400,168
<i>Fines and forfeitures</i>	32,761	--	32,761
<i>Intergovernmental</i>	3,616	--	3,616
<i>Investment earnings</i>	123	336	459
Total revenues	<u>436,668</u>	<u>336</u>	<u>437,004</u>
Expenditures:			
<i>General government</i>	466,166	--	466,166
<i>Capital outlay</i>	--	419,580	419,580
Debt service:			
Total expenditures	<u>466,166</u>	<u>419,580</u>	<u>885,746</u>
Excess (deficiency) of revenues (under) expenditures	(29,498)	(419,244)	(448,742)
Other financing sources (uses):			
<i>Transfers in</i>	--	500,000	500,000
<i>Transfers out</i>	--	(441,796)	(441,796)
Total other financing sources (uses)	<u>--</u>	<u>58,204</u>	<u>58,204</u>
Net change in fund balances	(29,498)	(361,040)	(390,538)
Fund balances, October 1	339,917	1,147,064	1,486,981
Fund balances, September 30	<u>\$ 310,419</u>	<u>\$ 786,024</u>	<u>\$ 1,096,443</u>

CITY OF STEPHENVILLE, TEXAS*COMBINING BALANCE SHEET**NONMAJOR SPECIAL REVENUE FUNDS**SEPTEMBER 30, 2014*

	Hotel/Motel Occupancy Tax Fund	Child Safety
ASSETS		
<i>Cash and cash equivalents</i>	\$ 198,230	\$ 21,755
Receivables (net of allowances for uncollectibles):		
<i>Taxes</i>	69,211	--
Total Assets	<u>\$ 267,441</u>	<u>\$ 21,755</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
<i>Accounts payable</i>	\$ 82,174	\$ --
Total Liabilities	<u>82,174</u>	<u>--</u>
Fund Balances:		
<i>Restricted</i>	185,267	21,755
Total fund balances	<u>185,267</u>	<u>21,755</u>
Total Liabilities and Fund Balances	<u>\$ 267,441</u>	<u>\$ 21,755</u>

EXHIBIT C-3

Public Safety	Court Technology	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ 40,061	\$ 67,833	\$ 327,879
--	--	69,211
\$ 40,061	\$ 67,833	\$ 397,090
\$ 4,497	\$ --	\$ 86,671
4,497	--	86,671
35,564	67,833	310,419
35,564	67,833	310,419
\$ 40,061	\$ 67,833	\$ 397,090

CITY OF STEPHENVILLE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Hotel/Motel Occupancy Tax Fund	Child Safety
Revenue:		
<i>Taxes</i>	\$ 400,168	\$ --
<i>Fines and forfeitures</i>	--	7,202
<i>Intergovernmental</i>	--	--
<i>Investment earnings</i>	123	--
Total revenues	<u>400,291</u>	<u>7,202</u>
Expenditures:		
<i>General government</i>	<u>452,184</u>	<u>12,000</u>
Total expenditures	<u>452,184</u>	<u>12,000</u>
Net change in fund balances	(51,893)	(4,798)
Fund balances, October 1	237,160	26,553
Fund balances, September 30	<u>\$ 185,267</u>	<u>\$ 21,755</u>

EXHIBIT C-4

Public Safety	Court Technology	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ --	\$ --	\$ 400,168
15,102	10,457	32,761
3,616	--	3,616
--	--	123
<u>18,718</u>	<u>10,457</u>	<u>436,668</u>
1,982	--	466,166
<u>1,982</u>	<u>--</u>	<u>466,166</u>
16,736	10,457	(29,498)
18,828	57,376	339,917
<u>\$ 35,564</u>	<u>\$ 67,833</u>	<u>\$ 310,419</u>

CITY OF STEPHENVILLE, TEXAS
HOTEL/MOTEL OCCUPANCY TAX FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT C-5

	Budget	Actual	Variance Positive (Negative)
Revenue:			
<i>Taxes</i>	\$ 315,000	\$ 400,168	\$ 85,168
<i>Investment earnings</i>	--	123	123
Total revenues	<u>315,000</u>	<u>400,291</u>	<u>85,291</u>
Expenditures:			
Current:			
<i>General Government</i>			
<i>Administrative</i>	380,000	452,184	(72,184)
Total General Government	<u>380,000</u>	<u>452,184</u>	<u>(72,184)</u>
Total Current	<u>380,000</u>	<u>452,184</u>	<u>(72,184)</u>
Total expenditures	<u>380,000</u>	<u>452,184</u>	<u>(72,184)</u>
Net change in fund balances	(65,000)	(51,893)	13,107
Fund balances, October 1	237,160	237,160	--
Fund balances, September 30	<u>\$ 172,160</u>	<u>\$ 185,267</u>	<u>\$ 13,107</u>

CITY OF STEPHENVILLE, TEXAS
CHILD SAFETY SPECIAL REVENUE FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT C-6

	Budget	Actual	Variance Positive (Negative)
Revenue:			
<i>Fines and forfeitures</i>	\$ 12,000	\$ 7,202	\$ (4,798)
Total revenues	<u>12,000</u>	<u>7,202</u>	<u>(4,798)</u>
Expenditures:			
Current:			
<i>General Government</i>			
<i>Administrative</i>	12,000	12,000	--
Total General Government	<u>12,000</u>	<u>12,000</u>	<u>--</u>
Total Current	<u>12,000</u>	<u>12,000</u>	<u>--</u>
Total expenditures	<u>12,000</u>	<u>12,000</u>	<u>--</u>
Net change in fund balances	--	(4,798)	(4,798)
Fund balances, October 1	26,553	26,553	--
Fund balances, September 30	<u>\$ 26,553</u>	<u>\$ 21,755</u>	<u>\$ (4,798)</u>

CITY OF STEPHENVILLE, TEXAS
PUBLIC SAFETY SPECIAL REVENUE FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT C-7

	Budget	Actual	Variance Positive (Negative)
Revenue:			
<i>Fines and forfeitures</i>	\$ --	\$ 15,102	\$ 15,102
<i>Intergovernmental</i>	3,700	3,616	(84)
Total revenues	<u>3,700</u>	<u>18,718</u>	<u>15,018</u>
Expenditures:			
Current:			
<i>General Government</i>			
<i>Public safety facility</i>	3,700	1,982	1,718
Total General Government	<u>3,700</u>	<u>1,982</u>	<u>1,718</u>
Total Current	<u>3,700</u>	<u>1,982</u>	<u>1,718</u>
Total expenditures	<u>3,700</u>	<u>1,982</u>	<u>1,718</u>
Net change in fund balances	--	16,736	16,736
Fund balances, October 1	18,828	18,828	--
Fund balances, September 30	<u>\$ 18,828</u>	<u>\$ 35,564</u>	<u>\$ 16,736</u>

CITY OF STEPHENVILLE, TEXAS
COURT TECHNOLOGY
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT C-8

	Budget	Actual	Variance Positive (Negative)
Revenue:			
<i>Fines and forfeitures</i>	\$ 4,000	\$ 10,457	\$ 6,457
Total revenues	<u>4,000</u>	<u>10,457</u>	<u>6,457</u>
Net change in fund balances	4,000	10,457	6,457
Fund balances, October 1	57,376	57,376	--
Fund balances, September 30	<u>\$ 61,376</u>	<u>\$ 67,833</u>	<u>\$ 6,457</u>

CITY OF STEPHENVILLE, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT C-9

	Budget	Actual	Variance Positive (Negative)
Revenue:			
<i>Taxes</i>	\$ 583,183	\$ 595,268	\$ 12,085
<i>Investment earnings</i>	100	722	622
Total revenues	<u>583,283</u>	<u>595,990</u>	<u>12,707</u>
Expenditures:			
Debt Service:			
<i>Principal</i>	465,000	465,000	--
<i>Interest and fiscal charges</i>	118,283	120,261	(1,978)
<i>Bond issue costs</i>	--	11,027	(11,027)
<i>Advance refunding escrow</i>	--	1,323,441	(1,323,441)
Total Debt Service:	<u>583,283</u>	<u>1,919,729</u>	<u>(1,336,446)</u>
Total expenditures	<u>583,283</u>	<u>1,919,729</u>	<u>(1,336,446)</u>
Excess (deficiency) of revenues (under) expenditures	<u>--</u>	<u>(1,323,739)</u>	<u>(1,323,739)</u>
Other financing sources (uses):			
<i>Proceeds of long-term debt</i>	--	1,336,841	1,336,841
Total other financing sources (uses)	<u>--</u>	<u>1,336,841</u>	<u>1,336,841</u>
Net change in fund balances	--	13,102	13,102
Fund balances, October 1	131,088	131,088	--
Fund balances, September 30	<u>\$ 131,088</u>	<u>\$ 144,190</u>	<u>\$ 13,102</u>

NONMAJOR ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the City has decided that periodic determination of net income is appropriate for accountability purposes.

Sanitary Landfill – This fund is used to account for solid waste collection and disposal services provided to the residents of the City.

Airport – This fund is used to account for municipal airport services and to support air transportation and charter services.

CITY OF STEPHENVILLE, TEXAS
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
SEPTEMBER 30, 2014

	Enterprise Fund <u>Sanitary Landfill</u>	Enterprise Fund <u>Airport</u>	Total Nonmajor Enterprise Funds (See Exhibit A-7) <u></u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 212,810	\$ 66,649	\$ 279,459
Accounts receivable - net	35,840	3,418	39,258
Intergovernmental	--	23,785	23,785
Total Current Assets	<u>248,650</u>	<u>93,852</u>	<u>342,502</u>
Noncurrent assets:			
Capital assets:			
Land	40,000	879,399	919,399
Buildings and improvements	915,135	5,190,512	6,105,647
Machinery and equipment	1,111,834	168,374	1,280,208
Construction in progress	--	72,368	72,368
Less accumulated depreciation	(1,258,833)	(1,132,783)	(2,391,616)
Total capital assets	<u>808,136</u>	<u>5,177,870</u>	<u>5,986,006</u>
Total noncurrent assets	<u>808,136</u>	<u>5,177,870</u>	<u>5,986,006</u>
Total Assets	<u>1,056,786</u>	<u>5,271,722</u>	<u>6,328,508</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	1,036	3,875	4,911
Accrued liabilities	2,881	--	2,881
Accrued interest payable	--	1,143	1,143
Customer deposits	1,600	--	1,600
Due to other funds	219	--	219
Compensated absences payable	3,171	--	3,171
Bonds payable	--	21,000	21,000
Total Current Liabilities	<u>8,907</u>	<u>26,018</u>	<u>34,925</u>
Long-term Liabilities:			
Compensated absences payable	1,058	--	1,058
Revenue bonds payable	--	65,850	65,850
Liability for landfill closure	140,905	--	140,905
Total Long-term Liabilities	<u>141,963</u>	<u>65,850</u>	<u>207,813</u>
Total Liabilities	<u>150,870</u>	<u>91,868</u>	<u>242,738</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	--	13,440	13,440
Total deferred inflow of resources	<u>--</u>	<u>13,440</u>	<u>13,440</u>
NET POSITION			
Net investment in capital assets	808,136	5,091,028	5,899,164
Restricted for debt service	--	23,785	23,785
Unrestricted	97,780	51,601	149,381
Total Net Position	<u>\$ 905,916</u>	<u>\$ 5,166,414</u>	<u>\$ 6,072,330</u>

CITY OF STEPHENVILLE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Enterprise Fund	Enterprise Fund	Total Nonmajor Enterprise Funds (See Exhibit A-8)
	Sanitary Landfill	Airport	
OPERATING REVENUES:			
Gate charges	\$ 454,983	\$ --	\$ 454,983
Hanger rental	--	99,209	99,209
Other service charges	1,753	5,231	6,984
Total Operating Revenues	<u>456,736</u>	<u>104,440</u>	<u>561,176</u>
OPERATING EXPENSES:			
Personnel services	142,129	--	142,129
Contractual services	26,376	7,384	33,760
Utilities	443	29,274	29,717
Repairs and maintenance	23,665	21,605	45,270
Other	37,596	8,416	46,012
Depreciation	74,970	122,604	197,574
Total Operating Expenses	<u>305,179</u>	<u>189,283</u>	<u>494,462</u>
Operating Income (Loss)	<u>151,557</u>	<u>(84,843)</u>	<u>66,714</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest revenue	32	--	32
Miscellaneous income	350	7,889	8,239
Interest expense	--	(4,085)	(4,085)
Total Non-operating Revenues (Expenses)	<u>382</u>	<u>3,804</u>	<u>4,186</u>
Net income	<u>151,939</u>	<u>(81,039)</u>	<u>70,900</u>
Net position, October 1	753,977	5,247,453	6,001,430
Net position, September 30	<u>\$ 905,916</u>	<u>\$ 5,166,414</u>	<u>\$ 6,072,330</u>

CITY OF STEPHENVILLE, TEXAS
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Sanitary Landfill	Airport	Total Nonmajor Enterprise Funds (See Exhibit A-9)
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 426,007	\$ 124,793	\$ 550,800
Cash Payments to Employees	(141,092)	--	(141,092)
Cash Payments to Suppliers for Goods and Services	(87,703)	(63,748)	(151,451)
Net Cash Provided (Used) by Operating Activities	197,212	61,045	258,257
Cash Flows from Non-capital Financing Activities:			
Cash Received from Other Funds	289	--	289
Cash Paid to Other Funds	--	--	--
Net Cash Provided (Used) for Capital and Related Financing Activities	289	--	289
Cash Flows from Capital and Related Financing Activities:			
Principal and Interest Paid	--	(25,373)	(25,373)
Acquisition or Construction of Capital Assets	--	(5,818)	(5,818)
Net Cash Provided (Used) for Capital and Related Financing Activities	--	(31,191)	(31,191)
Cash Flows from Investing Activities:			
Interest on Investments	32	--	32
Net Cash Provided (Used) for Investing Activities	32	--	32
Net Increase (Decrease) in Cash and Cash Equivalents	197,533	29,854	227,387
Cash and Cash Equivalents at Beginning of Year (reclassified)	15,277	36,795	52,072
Cash and Cash Equivalents at End of Year	\$ 212,810	\$ 66,649	\$ 279,459
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ 151,557	\$ (84,843)	\$ 66,714
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation	74,970	122,604	197,574
Miscellaneous income	350	7,889	8,239
Change in Assets and Liabilities:			
Decrease (Increase) in Receivables	(31,273)	13,104	(18,169)
Increase (Decrease) in Accounts Payable	377	2,931	3,308
Increase (Decrease) in Accrued Liabilities	494	--	494
Increase (Decrease) in Compensated Absences	437	--	437
Increase (Decrease) in Customer Deposits	300	--	300
Increase (Decrease) in Unearned Revenue	--	(640)	(640)
Total Adjustments	\$ 197,212	\$ 61,045	\$ 258,257
Net Cash Provided (Used) by Operating Activities			

STATISTICAL SECTION

This part of the City Of Stephenville, Texas's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents	Page
Financial Trends	70
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
Revenue Capacity	78
<i>These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.</i>	
Debt Capacity	84
<i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	89
<i>These schedules offer demographic and economic indicators to help the reader understand how the City's financial activities take place and to help make comparisons over time and with other governments.</i>	
Operating Information	91
<i>These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF STEPHENVILLE, TEXAS

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

(ACCRUAL BASIS OF ACCOUNTING)

(UNAUDITED)

	2005	2006	2007	2008	2009
Governmental Activities					
Net Investment in					
Capital assets	\$ 9,070,652	\$ 9,734,777	10,157,475	\$ 10,513,386	\$ 18,471,335
Restricted	295,721	381,849	366,934	397,365	434,394
Unrestricted	9,548,977	10,237,660	11,232,319	12,162,240	5,252,462
Total Governmental					
Activities Net Position	\$ <u>18,915,350</u>	\$ <u>20,354,286</u>	<u>21,756,728</u>	\$ <u>23,072,991</u>	\$ <u>24,158,191</u>
Business-type Activities					
Net Investment in					
Capital assets	\$ 16,190,916	\$ 17,432,394	16,564,217	\$ 21,231,388	\$ 23,495,495
Restricted	514,842	599,910	665,099	554,647	710,870
Unrestricted	5,301,524	6,516,830	9,087,784	7,178,489	5,974,684
Total Business-type					
Activities Net Position	\$ <u>22,007,282</u>	\$ <u>24,549,134</u>	<u>26,317,100</u>	\$ <u>28,964,524</u>	\$ <u>30,181,049</u>
Primary Government					
Net Investment in					
Capital assets	\$ 25,261,568	\$ 27,167,171	26,721,692	\$ 31,744,774	\$ 41,966,830
Restricted	810,563	981,759	1,032,033	952,012	1,145,264
Unrestricted	14,850,501	16,754,490	20,320,103	19,340,729	11,227,146
Total Primary					
Government Net Position	\$ <u>40,922,632</u>	\$ <u>44,903,420</u>	<u>48,073,828</u>	\$ <u>52,037,515</u>	\$ <u>54,339,240</u>

Note: Fiscal years ended 2012 and 2013 restated for the effect of GASB 65.

TABLE D-1

2010	2011	2012	2013	2014
\$ 16,763,870	\$ 16,605,859	\$ 17,500,689	\$ 17,032,179	\$ 18,024,389
405,640	420,877	450,527	870,780	523,019
<u>7,952,264</u>	<u>8,156,696</u>	<u>7,680,873</u>	<u>8,355,906</u>	<u>9,150,340</u>
<u>\$ 25,121,774</u>	<u>\$ 25,183,432</u>	<u>\$ 25,632,089</u>	<u>\$ 26,258,865</u>	<u>\$ 27,697,748</u>
\$ 25,323,978	\$ 26,538,623	\$ 28,438,665	\$ 30,080,475	\$ 32,099,918
690,998	714,547	842,224	2,706,411	1,023,271
<u>4,566,114</u>	<u>5,548,656</u>	<u>5,243,744</u>	<u>2,965,331</u>	<u>4,112,342</u>
<u>\$ 30,581,090</u>	<u>\$ 32,801,826</u>	<u>\$ 34,524,633</u>	<u>\$ 35,752,217</u>	<u>\$ 37,235,531</u>
\$ 42,087,848	\$ 43,144,482	\$ 45,939,354	\$ 47,112,654	\$ 50,124,307
1,096,638	1,135,424	1,292,751	3,577,191	1,546,290
<u>12,518,378</u>	<u>13,705,352</u>	<u>12,924,617</u>	<u>11,321,237</u>	<u>13,262,682</u>
<u>\$ 55,702,864</u>	<u>\$ 57,985,258</u>	<u>\$ 60,156,722</u>	<u>\$ 62,011,082</u>	<u>\$ 64,933,279</u>

CITY OF STEPHENVILLE, TEXAS

EXPENSES, PROGRAM REVENUES, AND NET (EXPENSE)/REVENUE

LAST TEN FISCAL YEARS

(ACCRUAL BASIS OF ACCOUNTING)

(UNAUDITED)

	2005	2006	2007	2008	2009
Expenses					
Governmental Activities:					
General Government	\$ 1,453,986	\$ 1,441,939	\$ 1,591,258	\$ 1,331,583	\$ 1,309,902
Public Safety	4,345,846	4,689,443	5,187,628	5,504,975	6,043,653
Streets	979,051	1,098,979	1,144,681	1,183,435	1,210,135
Culture and recreation	1,582,864	1,646,017	1,733,627	2,166,545	2,340,312
Community development	348,177	343,135	381,091	395,182	408,144
Interest on Long-Term Debt	109,153	91,817	65,926	103,490	72,220
Total Governmental					
Activities Expenses	\$ 8,819,077	\$ 9,311,330	\$ 10,104,211	\$ 10,685,210	\$ 11,384,366
Business-type Activities					
Water and Wastewater	4,367,671	4,681,174	4,776,359	4,526,893	4,819,886
Sanitary landfill	99,078	119,832	272,010	290,349	527,255
Airport	8,633	18,075	130,169	127,018	170,287
Storm Water Drainage	166,346	232,955	141,516	245,371	346,159
Total Business-type Activities Expenses	4,641,728	5,052,036	5,320,054	5,189,631	5,863,587
Total Primary Government Expenses	\$ 13,460,805	\$ 14,363,366	\$ 15,424,265	\$ 15,874,841	\$ 17,247,953
Program Revenues					
Governmental Activities:					
Charges for Services:					
General Government	\$ 172,292	\$ 177,636	\$ 243,929	\$ 219,353	\$ 231,122
Public Safety	488,292	600,332	687,567	906,131	677,662
Streets	17,213	17,444	27,425	24,046	21,472
Culture and recreation	135,607	132,125	171,931	145,225	221,589
Community development	163,490	180,304	160,745	272,729	126,186
Operating Grants and Contributions	125,068	172,884	115,859	57,969	109,861
Capital Grants and Contributions	556,425	177,503	115,556	148	740,974
Total Governmental					
Activities Program Revenues	\$ 1,658,387	\$ 1,458,228	\$ 1,523,012	\$ 1,625,601	\$ 2,128,866
Business-type Activities:					
Charges for Services:					
Water and Wastewater	\$ 5,245,901	\$ 5,628,658	\$ 5,092,578	\$ 5,469,932	\$ 5,492,233
Sanitary landfill	174,845	162,306	170,814	275,915	414,503
Airport	39,088	51,037	61,916	68,186	73,180
Storm Water Drainage	485,600	485,314	500,779	577,766	584,439
Operating Grants and Contributions	--	--	--	--	20,062
Capital Grants and Contributions	1,513,020	599,393	169,370	870,718	249,253
Total Business-type					
Activities Program Revenues	7,458,454	6,926,708	5,995,457	7,262,517	6,833,670
Total Primary Government					
Program Revenues	\$ 9,116,841	\$ 8,384,936	\$ 7,518,469	\$ 8,888,118	\$ 8,962,536
Net (Expense)/Revenue					
Governmental Activities	\$ (7,160,690)	\$ (7,853,102)	\$ (8,581,199)	\$ (9,059,609)	\$ (9,255,500)
Business-type Activities	2,816,726	1,874,672	675,403	2,072,886	970,083
Total Primary Government Net Expense	\$ (4,343,964)	\$ (5,978,430)	\$ (7,905,796)	\$ (6,986,723)	\$ (8,285,417)

Fiscal years ended 2012 and 2013 restated for the effect of GASB 65.

TABLE D-2

	2010	2011	2012	2013	2014
\$	1,412,441	\$ 1,374,221	\$ 1,518,207	\$ 2,076,100	\$ 2,353,191
	6,252,861	6,274,700	6,496,290	6,786,524	6,948,549
	1,426,590	1,479,381	1,567,117	1,432,818	1,274,173
	2,438,756	2,522,284	2,509,599	2,157,175	2,037,539
	427,769	374,335	433,360	521,710	444,401
	141,220	97,809	151,197	128,398	108,289
\$	12,099,637	\$ 12,122,730	\$ 12,675,770	\$ 13,102,725	\$ 13,166,142
	5,054,152	4,846,996	4,833,953	5,018,940	5,237,160
	294,407	313,982	313,978	282,952	305,179
	158,085	160,803	181,904	183,145	193,368
	580,590	600,859	562,207	535,056	528,208
	6,087,234	5,922,640	5,892,042	6,020,093	6,263,915
\$	18,186,871	\$ 18,045,370	\$ 18,567,812	\$ 19,122,818	\$ 19,430,057
\$	215,757	\$ 216,870	\$ 219,082	\$ 217,686	\$ 205,782
	834,180	893,207	1,077,514	959,364	1,073,838
	24,713	24,419	95,954	30,443	28,170
	317,917	338,662	363,650	346,442	288,540
	177,401	249,501	193,592	413,762	265,863
	43,417	40,015	29,142	53,796	63,038
	1,602,301	258,933	159,402	--	188,262
\$	3,215,686	\$ 2,021,607	\$ 2,138,336	\$ 2,021,493	\$ 2,113,493
\$	5,396,349	\$ 6,147,606	\$ 6,055,936	\$ 6,443,152	\$ 6,708,108
	175,153	277,985	200,546	297,650	457,086
	72,408	76,015	93,493	110,200	104,440
	588,141	591,326	604,231	620,595	618,993
	17,808	5,184	7,868	--	--
	402,702	528,471	813,212	27,652	109,614
	6,652,561	7,626,587	7,775,286	7,499,249	7,998,241
\$	9,868,247	\$ 9,648,194	\$ 9,913,622	\$ 9,520,742	\$ 10,111,734
\$	(8,883,951)	\$(10,101,123)	\$(10,537,434)	\$(11,081,232)	\$(11,052,649)
	565,327	1,703,947	1,883,244	1,479,156	1,734,326
\$	(8,318,624)	\$(8,397,176)	\$(8,654,190)	\$(9,602,076)	\$(9,318,323)

CITY OF STEPHENVILLE, TEXAS

GENERAL REVENUES AND TOTAL CHANGE IN NET POSITION

LAST TEN FISCAL YEARS

(ACCRUAL BASIS OF ACCOUNTING)

(UNAUDITED)

	2005	2006	2007	2008	2009
Net (Expense)/Revenue					
Governmental Activities	\$ (7,160,690)	\$ (7,853,102)	\$ (8,581,199)	\$ (9,059,609)	\$ (9,255,500)
Business-type Activities	2,816,726	1,874,672	675,403	2,072,886	970,083
Total Primary Government Net Expense	\$ (4,343,964)	\$ (5,978,430)	\$ (7,905,796)	\$ (6,986,723)	\$ (8,285,417)
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Taxes					
Property Taxes - General Purposes	\$ 2,447,610	\$ 2,657,106	\$ 2,913,521	\$ 3,131,702	\$ 3,382,272
Property Taxes - Debt Service	448,663	437,146	476,117	527,921	536,671
Sales Taxes	3,654,232	4,101,973	4,351,269	4,745,309	4,622,690
Franchise Taxes	1,264,298	1,423,615	1,370,838	1,169,858	1,186,650
Other Taxes	292,447	312,528	388,013	434,498	372,815
Gain on Sale of Capital Assets	--	--	--	--	--
Investment Earnings	286,301	441,986	623,810	454,269	108,218
Miscellaneous	54,068	34,663	75,994	17,186	124,613
Transfers	(50,000)	(116,979)	(215,921)	(107,871)	6,771
Total Governmental Activities	\$ 8,397,619	\$ 9,292,038	\$ 9,983,641	\$ 10,372,872	\$ 10,340,700
Business-type Activities:					
Investment Earnings	305,559	518,164	876,642	469,667	68,079
Miscellaneous	--	32,037	--	--	7,888
Transfers	50,000	116,979	215,921	104,871	(6,771)
Total Business-type Activities	355,559	667,180	1,092,563	574,538	69,196
Total Primary Government	\$ 8,753,178	\$ 9,959,218	\$ 11,076,204	\$ 10,947,410	\$ 10,409,896
Change in Net Position					
Governmental Activities	\$ 1,236,929	\$ 1,438,936	\$ 1,402,442	\$ 1,313,263	\$ 1,085,200
Business-type Activities	3,172,285	2,541,852	1,767,966	2,647,424	1,039,279
Total Primary Government	\$ 4,409,214	\$ 3,980,788	\$ 3,170,408	\$ 3,960,687	\$ 2,124,479

Fiscal years ended 2012 and 2013 restated for the effect of GASB 65.

TABLE D-3

	2010	2011	2012	2013	2014
\$	(8,883,951)\$	(10,101,123)\$	(10,537,434)\$	(11,081,232)\$	(11,052,649)
	565,327	1,703,947	1,883,244	1,479,156	1,734,326
\$	(8,318,624)\$	(8,397,176)\$	(8,654,190)\$	(9,602,076)\$	(9,318,323)
\$	3,371,138 \$	3,595,948 \$	3,787,828 \$	4,049,755 \$	4,321,370
	608,404	526,519	593,543	589,867	595,444
	4,275,545	4,616,312	5,191,213	5,281,663	5,485,705
	1,018,036	1,120,678	1,122,934	1,097,564	1,166,503
	341,456	363,645	393,461	374,806	450,456
	323,641	12,159	--	10,056	110,122
	32,294	13,517	14,651	11,546	6,157
	14,190	26,870	18,320	35,902	100,731
	(112,834)	(137,203)	21,161	256,849	255,044
\$	9,871,870 \$	10,138,445 \$	11,143,111 \$	11,708,008 \$	12,491,532
	6,714	5,151	7,716	6,780	4,032
	--	--	--	(1,504)	--
	112,834	137,203	(21,161)	(256,849)	(255,044)
	119,548	142,354	(13,445)	(251,573)	(251,012)
\$	9,991,418 \$	10,280,799 \$	11,129,666 \$	11,456,435 \$	12,240,520
\$	987,919 \$	37,322 \$	605,677 \$	626,776 \$	1,438,883
	684,875	1,846,301	1,869,799	1,227,583	1,483,314
\$	1,672,794 \$	1,883,623 \$	2,475,476 \$	1,854,359 \$	2,922,197

TABLE D-4

CITY OF STEPHENVILLE, TEXAS
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Reserved	\$ 13,349	\$ 10,352	\$ 15,224	\$ 8,653	\$ 12,680	\$ 9,148	\$ --	\$ --	\$ --	\$ --
Unreserved	8,361,416	9,045,429	10,039,416	9,555,553	7,358,831	7,196,152	--	--	--	--
Nonspendable	--	--	--	--	--	--	18,836	17,399	19,417	10,995
Assigned	--	--	--	--	--	--	3,750,000	1,989,442	2,400,000	3,000,000
Unassigned	--	--	--	--	--	--	3,779,268	5,113,489	5,246,245	5,868,872
Total General Fund	\$ 8,374,765	\$ 9,055,781	\$ 10,054,640	\$ 9,564,206	\$ 7,371,511	\$ 7,205,300	\$ 7,548,104	\$ 7,120,330	\$ 7,665,662	\$ 8,879,867
All Other Governmental Funds										
Reserved										
Debt Service Funds	\$ 50,563	\$ 69,443	\$ 82,233	\$ 89,253	\$ 96,071	\$ 93,267	\$ --	\$ --	\$ --	\$ --
Unreserved, Reported In:										
Special Revenue Funds	247,743	318,028	280,798	350,750	332,799	337,679	--	--	--	--
Capital Projects Funds	1,063,030	1,051,972	1,069,303	2,429,680	1,676,876	1,155,196	--	--	--	--
Restricted	--	--	--	--	--	--	424,194	4,206,447	1,201,698	824,262
Assigned	--	--	--	--	--	--	486,235	529,093	416,371	416,371
Total All Other Governmental Funds	\$ 1,361,336	\$ 1,439,443	\$ 1,432,334	\$ 2,869,683	\$ 2,105,746	\$ 1,586,142	\$ 910,429	\$ 4,735,540	\$ 1,618,069	\$ 1,240,633

Note:

The City implemented GASB Statement 54 in fiscal year 2011. Prior year balances have not been restated to conform to GASB Statement 54.

TABLE D-5

CITY OF STEPHENVILLE, TEXAS**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS****LAST TEN FISCAL YEARS****(MODIFIED ACCRUAL BASIS OF ACCOUNTING)****(UNAUDITED)**

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	\$ 8,103,134	\$ 8,942,235	\$ 9,506,528	\$ 10,004,265	\$ 10,104,779	\$ 9,570,777	\$ 10,251,019	\$ 11,062,514	\$ 11,394,371	\$ 12,014,282
Charges for Services	651,021	640,935	738,526	839,684	948,049	1,178,800	1,076,971	1,291,337	1,198,408	1,131,850
Fines and Forfeitures	207,407	279,716	353,889	361,027	226,083	229,357	295,075	318,899	361,236	294,084
Licenses, Fees and Permits	168,523	183,839	164,071	275,887	131,341	138,675	255,269	182,517	398,093	261,126
Intergovernmental	104,228	188,096	111,889	87,730	124,581	1,366,544	147,510	233,670	65,465	127,751
Investment Earnings	286,300	441,986	623,810	454,269	108,218	32,294	13,517	14,651	11,546	6,157
Miscellaneous	108,222	60,110	119,731	19,734	35,189	19,269	37,977	18,189	75,550	103,839
Special Assessments	402,789	28,122	--	--	--	--	--	--	--	--
Total Revenues	10,031,624	10,765,039	11,618,444	12,042,596	11,678,240	12,535,716	12,077,338	13,121,777	13,504,669	13,939,089
Expenditures										
General Government	1,231,709	1,349,248	1,491,202	1,293,925	1,355,822	1,359,012	1,319,243	1,504,855	1,997,675	2,289,098
Public Safety	4,140,738	4,562,217	4,955,771	5,459,268	5,827,418	6,048,150	6,084,813	6,210,892	6,410,938	6,725,152
Streets	578,126	699,290	735,614	824,764	845,429	850,428	937,367	968,236	920,417	780,006
Culture and Recreation	1,412,305	1,466,261	1,518,938	1,931,846	2,006,999	2,072,331	2,189,768	2,268,386	1,859,640	1,795,809
Community Development	346,969	337,659	375,614	394,833	407,208	420,982	367,228	414,769	514,474	419,054
Capital Outlay	1,014,372	952,446	807,528	1,902,168	5,265,493	2,099,912	889,326	1,793,507	4,076,340	985,179
Debt Service										
Principal	420,000	430,000	455,000	475,000	425,000	460,000	420,000	440,000	455,000	465,000
Interest	111,582	91,817	71,105	49,195	99,652	144,279	98,117	139,305	126,693	120,261
Bond Issuance Cost	--	--	--	12,725	25,000	--	--	45,000	5,312	11,027
Advance Refunding Escrow	--	--	--	--	--	--	--	--	382,370	1,323,441
Total Expenditures	9,255,801	9,888,938	10,410,772	12,343,724	16,258,021	13,455,094	12,305,862	13,784,950	16,748,859	14,914,027
Excess of Revenues										
Over (Under) Expenditures	775,823	876,101	1,207,672	(301,128)	(4,579,781)	(919,378)	(228,524)	(663,173)	(3,244,190)	(974,938)
Other Financing Sources (Uses)										
Bonds Issued	--	--	--	1,325,000	1,500,000	--	--	4,000,000	370,000	1,336,841
Premium on Bonds	--	--	--	--	--	--	--	--	22,904	--
Discount on Bonds	--	--	--	--	--	--	--	--	(2,651)	--
Proceeds from Capital Assets	--	--	--	27,914	21,881	338,054	27,316	27,851	24,950	219,822
Proceeds from Insurance	--	--	--	--	94,497	8,343	5,502	11,498	--	--
Transfers In	90,000	94,500	55,000	207,629	2,461,037	204,320	292,052	741,161	506,849	1,196,840
Transfers Out	(140,000)	(211,479)	(270,921)	(312,500)	(2,454,266)	(317,154)	(429,255)	(720,000)	(250,000)	(941,796)
Total Other Financing Sources (Uses)	(50,000)	(116,979)	(215,921)	1,248,043	1,623,149	233,563	(104,385)	4,060,510	672,052	1,811,707
Net Change in Fund Balances	\$ 725,823	\$ 759,122	\$ 991,751	\$ 946,915	\$ (2,956,632)	\$ (685,815)	\$ (332,909)	\$ 3,397,337	\$ (2,572,138)	\$ 836,769
Debt Service As A Percentage Of Noncapital Expenditures	6.9%	6.2%	5.8%	5.3%	5.0%	5.6%	4.8%	5.0%	5.1%	13.7%

TABLE D-6

CITY OF STEPHENVILLE, TEXAS**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY****LAST TEN FISCAL YEARS****(UNAUDITED)**

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
2005	\$ 352,795,683	\$ 386,744,845	\$ 105,901,750	\$ 253,232,383	\$ 592,209,895	\$ 0.4850	\$ 604,295,811	98.000%
2006	387,312,400	403,019,380	113,971,870	260,321,554	643,982,096	0.4750	657,124,588	98.000%
2007	436,191,340	446,012,320	124,665,270	287,207,489	719,661,441	0.4650	734,348,409	98.000%
2008	473,515,020	493,287,390	139,045,430	287,501,749	818,346,091	0.4450	835,047,032	98.000%
2009	530,504,500	521,967,390	134,864,860	296,981,931	890,354,819	0.4350	908,525,326	98.000%
2010	541,059,730	514,106,150	145,588,370	305,171,070	895,583,180	0.4435	913,860,388	98.000%
2011	546,372,660	514,213,740	127,553,350	302,938,397	885,201,353	0.4600	903,266,687	98.000%
2012	555,032,740	511,780,800	148,096,980	317,517,724	897,392,796	0.4850	915,706,935	98.000%
2013	561,570,020	546,842,640	225,183,450	384,611,442	948,984,668	0.4850	968,351,702	98.000%
2014	567,670,640	562,727,447	297,556,973	441,606,152	986,348,908	0.4950	1,006,478,478	98.000%

Source: Erath County Appraisal District.

Note: Property in Erath County is reassessed once every three years on average. The County assesses property at approximately 95 percent of actual value for commercial, industrial and residential property. Estimated actual taxable value is calculated by dividing taxable assessed value by those percentages. Tax rates are per \$100 of assessed value.

TABLE D-7

CITY OF STEPHENVILLE, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	City Direct Rates			Overlapping Rates			Total Direct and Overlapping Rates
	Basic Rate	General Obligation Debt Service	Total Direct Rate	Stephenville School District	Middle Trinity Water District	Erath County	
2005	\$ 0.4107	\$ 0.0743	\$ 0.4850	\$ 1.6700	\$ 0.0150	\$ 0.4625	\$ 2.6325
2006	0.4079	0.0671	0.4750	1.6600	0.0150	0.4410	2.5910
2007	0.3996	0.0654	0.4650	1.5199	0.0150	0.4352	2.4351
2008	0.3811	0.0639	0.4450	1.1920	0.0150	0.4187	2.0707
2009	0.3762	0.0588	0.4350	1.1470	0.0150	0.3915	1.9885
2010	0.3762	0.0673	0.4435	1.1470	0.0150	0.3900	1.9955
2011	0.4015	0.0585	0.4600	1.1470	0.0150	0.4500	2.0720
2012	0.4194	0.0656	0.4850	1.1700	0.0150	0.4700	2.1400
2013	0.4235	0.0615	0.4850	1.1940	0.0145	0.4700	2.1635
2014	0.4357	0.0593	0.4950	1.2170	0.0145	0.4700	2.1965

Source: Erath County Appraisal District.

Notes: The City's basic property tax rate may be increased only by a majority vote of the City's residents. Rates for debt service are set based on each year's requirements.

Overlapping rates are those of local and county governments that apply to property owners within the City of Stephenville, Texas.

CITY OF STEPHENVILLE, TEXAS**PRINCIPAL PROPERTY TAX PAYERS****CURRENT YEAR AND NINE YEARS AGO****(UNAUDITED)**

Taxpayer	2014			2005		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
FMC Company	80,664,969	1	8.18%	\$ 18,612,526	1	3.14%
Tejas Tubuler, Inc	24,789,556	2	2.51%	--	--	--
Stephenville Campus Crest	11,401,270	3	1.16%	--	--	--
Saint Gobain Abrasives	8,743,448	4	0.89%	14,263,137	2	2.41%
Stephenville Student Housing LP	8,738,130	5	0.89%	--	--	--
Wal-Mart Stores, Inc. #1	8,576,680	6	0.87%	8,895,160	3	1.50%
Bosque River Associates	8,221,950	7	0.83%	8,800,000	4	1.49%
Oncor Electric Delivery	7,912,100	8	0.80%	6,538,760	7	1.10%
Stephenville Real Estate Investment	6,776,160	9	0.69%	--	--	--
Wilmington Trust	6,507,310	10	0.66%	6,682,150	5	1.13%
United Telephone Company	--	--	--	6,563,080	6	1.11%
Rayloc Genaut	--	--	--	4,561,523	8	0.77%
Emerson Electric Company	--	--	--	4,844,354	9	0.82%
Augusta Hills, LP	--	--	--	3,758,130	10	0.63%
Subtotal	\$ 172,331,573		17.47%	\$ 83,518,820		14.10%
Remaining Roll	814,017,335		82.53%	508,691,075		85.90%
Total	<u>986,348,908</u>		<u>100.00%</u>	<u>\$ 592,209,895</u>		<u>100.00%</u>

Source: Erath County Appraisal District.

TABLE D-9

CITY OF STEPHENVILLE, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	Taxes Levied for the Fiscal Year		Collected Within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date		Outstanding As of 9/30/14				
			Amount	Percentage of Levy		Amount	Percentage of Levy					
2005	\$	2,832,529	\$	2,808,747	99.16%	\$	22,187	\$	2,830,934	99.94%	\$	1,595
2006		3,066,225		3,018,008	98.43%		45,748		3,063,756	99.92%		2,469
2007		3,344,539		3,307,083	98.88%		34,425		3,341,508	99.91%		3,031
2008		3,641,808		3,602,598	98.92%		35,442		3,638,040	99.90%		3,768
2009		3,874,843		3,822,492	98.65%		47,820		3,870,312	99.88%		4,531
2010		3,965,938		3,887,038	98.01%		70,499		3,957,537	99.79%		8,401
2011		--		4,007,449	98.71%		44,644		4,052,093	99.81%		7,562
2012		--		4,302,513	99.05%		31,000		4,333,513	99.77%		10,083
2013		4,343,596		4,302,513	99.05%		31,000		4,333,513	99.77%		10,083
2013		4,594,127		4,554,491	99.14%		25,204		4,579,695	99.69%		14,432
2014		4,868,772		4,820,901	99.02%	--			4,820,901	99.02%		47,871

Sources: Erath County Appraisal District and Erath County Tax Assessor-Collector.

TABLE D-10

CITY OF STEPHENVILLE, TEXAS**TAXABLE SALES BY CATEGORY****LAST TEN CALENDAR YEARS****(UNAUDITED)**

	Calendar Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Services	\$ 52,660,585	\$ 49,320,823	\$ 71,858,401	\$ 76,028,119	\$ 49,193,540	\$ 86,982,895	\$ 82,499,237	\$ 80,715,109	\$ 80,104,182	\$ 82,376,390
Miscellaneous retail	30,656,983	80,531,798	49,403,150	48,667,125	44,489,869	48,279,279	50,223,257	57,031,030	51,246,891	52,221,686
Eating & drinking places	33,430,611	32,262,706	40,364,318	42,334,617	42,711,764	48,849,862	45,659,353	48,634,297	51,945,376	55,015,006
Home furnishings	12,262,311	12,512,541	11,731,913	14,290,218	16,871,237	13,568,590	13,494,549	13,893,238	7,144,077	7,209,200
Apparel stores	9,818,290	10,320,484	8,377,240	8,953,809	10,484,097	9,075,222	8,174,834	8,341,058	8,639,294	8,799,575
Automotive stores	99,144,772	98,285,906	92,176,886	96,669,383	81,500,893	66,976,599	83,707,882	92,836,643	115,540,159	113,933,329
Food stores	51,766,389	50,220,262	79,872,788	86,582,692	95,208,346	87,040,250	49,273,894	57,733,375	56,734,012	57,179,417
General merchandise	95,581,145	99,866,700	104,523,324	109,784,929	111,619,423	112,954,176	114,441,489	121,061,076	120,479,906	120,780,721
Building & garden supplies	10,521,803	11,459,257	27,989,048	27,463,226	34,620,369	25,243,662	27,131,515	28,142,214	27,030,238	28,455,504
Wholesale trade	57,151,544	68,280,278	67,301,228	73,871,807	60,058,266	45,407,615	53,330,189	54,781,219	53,509,172	47,091,948
Transportation utilities	8,478,394	17,150,687	--	--	--	--	--	--	--	--
Manufacturing	62,892,192	80,935,615	109,201,262	32,715,340	44,918,121	27,630,740	24,080,368	20,743,984	23,103,447	27,220,571
Construction	13,153,883	14,952,354	17,075,913	18,986,754	23,019,467	22,107,859	26,360,348	24,673,453	20,487,172	23,399,150
Other	1,137,815	11,021,143	16,234,607	17,719,701	19,568,861	17,355,540	18,688,413	20,498,610	24,770,674	31,521,635
Agriculture	4,221,466	7,129,038	216,971	201,722	445,684	497,983	192,638	310,294	227,301	346,309
Total	\$ 542,878,183	\$ 644,249,592	\$ 696,327,049	\$ 654,269,442	\$ 634,709,937	\$ 611,970,272	\$ 597,257,966	\$ 629,395,600	\$ 640,961,901	\$ 655,550,441
Direct Sales Tax Rate	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%

Source: Office of the Comptroller of the State of Texas.

Note: Retail sales information is not available on a fiscal-year basis.

CITY OF STEPHENVILLE, TEXAS*DIRECT AND OVERLAPPING SALES TAX RATES**LAST TEN FISCAL YEARS**(UNAUDITED)*

Fiscal Year	City Direct Rate	Sales Tax for Property Tax Relief
2005	1.00%	0.50%
2006	1.00%	0.50%
2007	1.00%	0.50%
2008	1.00%	0.50%
2009	1.00%	0.50%
2010	1.00%	0.50%
2011	1.00%	0.50%
2012	1.00%	0.50%
2013	1.00%	0.50%
2014	1.00%	0.50%

Source: Office of the Comptroller of the State of Texas.

TABLE D-12

CITY OF STEPHENVILLE, TEXAS**RATIOS OF OUTSTANDING DEBT BY TYPE****LAST TEN FISCAL YEARS****(UNAUDITED)**

Governmental Activities							
Fiscal Year	General Obligation Bonds	Certificates of Participation	Unamortized Premiums (Discounts)				
2005	\$ 945,000	\$ 1,080,000	\$ --				
2006	645,000	950,000	--				
2007	330,000	810,000	--				
2008	1,325,000	665,000	--				
2009	2,550,000	515,000	--				
2010	2,255,000	350,000	--				
2011	2,185,000	--	--				
2012	5,745,000	--	--				
2013	5,300,000	--	19,746				
2014	4,840,000	--	18,734				

Business-type Activities							
Fiscal Year	Water Revenue Bonds	Certificates of Participation	Unamortized Premiums (Discounts)	Capital Leases	Total Primary Government	Percentage of Personal Income	Per Capita
2005	\$ 5,910,000	\$ 13,250,233	\$ --	\$ --	\$ 21,185,233	5.19%	\$ 1,300
2006	5,500,000	14,305,233	--	259,184	21,659,417	5.03%	1,283
2007	5,210,000	17,660,134	--	219,920	24,230,054	5.02%	1,421
2008	4,905,000	20,644,155	--	177,337	27,716,492	5.56%	1,607
2009	4,585,000	19,456,865	--	499,724	27,606,589	N/A	1,538
2010	4,250,000	18,179,865	--	364,740	25,399,605	N/A	1,483
2011	3,895,000	16,866,865	--	194,121	23,140,986	N/A	1,324
2012	3,520,000	15,507,865	--	99,661	24,872,526	N/A	1,360
2013	3,130,000	13,922,865	239,090	--	22,611,701	N/A	1,157
2014	2,135,000	14,101,841	229,062	--	21,324,637	N/A	1,099

See Table 17 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

CITY OF STEPHENVILLE, TEXAS**RATIOS OF GENERAL BONDED DEBT OUTSTANDING****LAST TEN FISCAL YEARS****(UNAUDITED)**

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Certificates of Obligation	Total		
2005	\$ 945,000	\$ 1,080,000	\$ 2,025,000	0.34%	\$ 124
2006	645,000	950,000	1,595,000	0.25%	94
2007	330,000	810,000	1,140,000	0.16%	67
2008	1,325,000	665,000	1,990,000	0.24%	115
2009	2,550,000	515,000	3,065,000	0.34%	171
2010	2,255,000	350,000	2,605,000	0.29%	152
2011	2,185,000	--	2,185,000	0.25%	125
2012	5,745,000	--	5,745,000	0.64%	314
2013	5,300,000	--	5,300,000	0.56%	274
2014	4,840,000	--	4,840,000	0.49%	249

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

See Table D-6 for property value data.

Population data can be found in Table D-17.

CITY OF STEPHENVILLE, TEXAS*DIRECT AND OVERLAPPING**GOVERNMENTAL ACTIVITIES DEBT**(UNAUDITED)*

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt Repaid With Property Taxes			
Stephenville Independent School District	\$ 28,845,000	67.21%	\$ 19,386,725
Erath County	5,132,000	39.11%	<u>2,007,125</u>
Subtotal, Overlapping Debt			21,393,850
City Direct Debt	4,840,000	100.00%	<u>4,840,000</u>
Total Direct and Overlapping Debt			<u>\$ 26,233,850</u>

Sources:

Assessed value data used to estimate applicable percentages provided by the Erath County Appraisal District and debt outstanding data provided by each governmental unit.

Notes:

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Stephenville. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident--and therefore responsible for repaying the debt--of each overlapping government.

CITY OF STEPHENVILLE, TEXAS**LEGAL DEBT MARGIN INFORMATION****LAST TEN FISCAL YEARS****(UNAUDITED)**

As a home rule city, the City of Stephenville is not limited by law in the amount of debt it may issue.

Under Article XI, Section 5 of the Texas Constitution, no tax for any purpose shall ever be lawful for any one year, which shall exceed two and one-half percent of the taxable property of the City.

All taxable property within the City is subject to assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal and interest on the bonds within the limits prescribed by law. Under rules promulgated by the Office of the Attorney General of Texas, such office will not approve tax bonds of the City unless the City can demonstrate its ability to pay debt service requirements on all outstanding City tax bonds, including the issue to be approved.

Tax Rate Limitation Calculation for Fiscal Year 2014

Taxable assessed valuation.....	\$986,348,908
Constitutional tax rate limit.....	2.50% of assessed valuation
Maximum constitutional revenue available.....	\$24,658,723
Tax rate to achieve maximum tax revenue.....	\$2.50 per \$100 of valuation
Tax rate for FY 2012-2013.....	\$0.4950 per \$100 of valuation
Available unused constitutional max tax rate	\$2.005 per \$100 of valuation
Debt applicable to limit:	
General obligation debt	\$5,300,000

DEBT TAX RATE ADEQUACY

2013 Principal and Interest Requirements	\$582,204
\$0.0662 Tax Rate at 98% Collection Produces	582,196
Average Annual Principal and Interest Requirement, 2013-2031.....	344,575
\$0.044139 Tax Rate at 98% Collection Produces	344,601
Maximum Principal and Interest Requirements.....	582,204
\$0.0662 Tax Rate at 98% Collection Produces.....	582,196

DEBT SERVICE FUND BUDGET PROJECTION

Tax Obligation Debt Service Requirements, Fiscal Year Ending 9-30-2014	583,284
Debt Service Fund, 9-30-14.....	\$141,190
Debt Service Fund Tax Levy @ 98% Collection	582,196
	<u>\$723,386</u>

CITY OF STEPHENVILLE, TEXAS**PLEDGED-REVENUE COVERAGE****LAST TEN FISCAL YEARS****(UNAUDITED)**

Fiscal Year	Water Revenue Bonds						
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Principal	Interest		
2005	\$ 5,511,586	\$ 2,553,909	\$ 2,957,677	\$ 1,331,000	\$ 712,056	\$ 1.45	
2006	5,628,658	2,931,743	2,696,915	1,355,000	752,077	1.28	
2007	5,092,578	2,946,356	2,146,222	1,220,000	819,564	1.05	
2008	5,469,932	2,851,562	2,618,370	1,290,000	650,238	1.35	
2009	5,492,233	3,060,691	2,431,542	1,340,000	652,120	1.22	
2010	5,396,349	3,283,861	2,112,488	1,390,000	600,240	1.06	
2011	6,147,606	3,106,016	3,041,590	1,435,000	543,289	1.54	
2012	6,055,936	3,106,535	2,949,401	1,490,000	487,963	1.49	
2013	6,443,151	3,282,484	3,160,667	1,555,000	407,502	1.61	
2014	6,700,902	3,491,792	3,209,110	1,600,000	364,559	1.63	

Notes: Operating expenses do not include interest, depreciation, or amortization expense.

TABLE D-17

CITY OF STEPHENVILLE, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS
(UNAUDITED)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Population	16,300	16,882	17,050	17,250	17,950	17,123	17,480	18,290	19,320	19,410
Personal Income (000's)	\$ 407,859	\$ 430,930	\$ 483,044	\$ 498,232	\$ 535,449	\$ 511,550	N/A	\$ N/A	\$ N/A	\$ N/A
Per Capita Personal Income	\$ 25,022	\$ 25,526	\$ 28,331	\$ 28,883	\$ 29,830	\$ 29,875	N/A	\$ N/A	\$ N/A	\$ N/A
School Enrollment	3,512	3,550	3,521	3,496	3,553	3,794	3,584	3,702	3,731	3,656
College Enrollment	7,589	7,776	7,840	7,763	8,242	8,896	9,575	10,227	10,903	11,681
Unemployment	3.9%	3.9%	3.8%	4.0%	7.1%	7.0%	6.5%	5.2%	5.5%	4.7%

Sources:

Population, median age, and education level information provided by the State Department of Planning.
 Personal income and unemployment data provided by the State Department of Commerce and Labor. School enrollment data provided by the Stephenville Independent School District and Tarleton State University.

Note:

Population, median age, and education level information are based on surveys conducted during the last quarter of the calendar year. Personal income information is a total for the year. Unemployment rate information is an adjusted yearly average. School enrollment is based on the census at the start of the school year.

Personal income is not available for 2011 - 2014.

CITY OF STEPHENVILLE, TEXAS*PRINCIPAL EMPLOYERS**CURRENT YEAR**(UNAUDITED)*

<u>Employer</u>	<u>2014</u>		<u>Percentage of Total City Employment</u>
	<u>Employees</u>	<u>Rank</u>	
Tarleton State University	1,236	1	6.92%
FMC Company	769	2	4.30%
Saint Gobain Abrasives	477	3	2.67%
Wal-Mart Stores, Inc.	451	4	2.52%
Scheiber Foods	375	5	2.10%
Texas Health Harris Methodist	263	6	1.47%
Tejas Tubular (Caporal Forging)	263	7	1.47%
Fibergrate Composite Structures	260	8	1.46%
Stephenville ISD	218	9	1.22%
HEB	180	10	1.01%
Western Dairy Transport	175	11	0.98%
Erath County	175	12	0.98%
City of Stephenville	147	13	0.82%
Emerson Electric Company	136	14	0.76%
Stephenville Medical & Surgical	125	15	0.70%
Outlaw Conversions	118	16	0.66%
Bruner Motors	115	17	0.64%
PalCon	100	18	0.56%
United Cooperative Services	51	19	0.29%
Interbank	38	20	0.21%
Texstar Ford	38	21	0.21%
Reynolds Nationwide Transport	35	22	0.20%
Prime Buildings	33	23	0.18%
FFNB	31	24	0.17%
USTRA (USTRC)	17	25	0.10%
Southwestern Linen	13	26	0.07%
Subtotal	5,839		32.68%
Remaining Employers	12,029		67.32%
Total	17,868		100.00%

Source:

City Community Development Division. Total employee data is provided by the State Department of Commerce and labor.

Notes:

Total employee information is based on entire Erath County. Principal employers are only those that operate from within the corporate city limits of Stephenville.

Data for the period nine years prior to the current period is not available.

CITY OF STEPHENVILLE, TEXAS**FULL-TIME CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM****LAST TEN FISCAL YEARS****(UNAUDITED)**

Function/Program	Full-Time-Equivalent Employees as of Year End									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government										
Management Services	4	4	4	4	4	4	4	4	4	4
Finance	7	7	7	7	7	7	7	7	7	7
Planning	2	2	2	2	2	2	2	2	2	2
Building	1	2	2	2	2	2	2	2	2	2
Other	1	1	1	1	1	1	1	2	2	2
Police										
Officers	31	31	34	38	38	38	38	38	39	39
Civilians	13	13	12	12	12	12	12	12	12	16
Fire										
Firefighters and Officers	26	27	28	31	31	31	31	31	31	31
Parks and Recreation	13	13	13	13	13	13	13	14	13	13
Library	4	4	3	3	3	3	3	3	3	3
Streets	7	7	7	7	7	7	7	7	7	7
Water	9	10	13	13	13	13	13	13	13	13
Wastewater	8	8	5	5	5	5	5	5	5	5
Landfill	2	2	2	2	2	2	2	2	2	3
Total	128	131	133	140	140	140	140	142	142	

Source:

City Human Resources Office

Notes:

A fulltime employee is scheduled to work 2080 hours per year (including vacation and sick leave). Fulltime equivalent employment is calculated by dividing total labor hours by 2080.

TABLE D-20

CITY OF STEPHENVILLE, TEXAS**OPERATING INDICATORS BY FUNCTION/PROGRAM****LAST TEN FISCAL YEARS****(UNAUDITED)**

Function/Program	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government										
Building Permits Issued	172	125	153	135	109	90	148	96	113	90
Building Permits Value (000's)	\$18,442	\$12,263	\$16,145	\$27,821	\$11,978	\$8,456	\$29,365	\$11,175	\$49,204	\$19,061
Police										
Calls for Service	10,358	11,234	11,730	11,739	12,730	13,424	17,278	11,166	10,566	9,836
Physical Arrests	959	999	1,447	1,023	953	916	717	882	1,123	846
Parking Violations	386	334	498	171	206	346	401	417	520	258
Traffic Violations	3,588	3,066	4,469	2,473	1,634	1,478	4,639	2,035	5,357	7,338
Fire										
Ambulance Responses	1,291	1,255	1,537	1,472	1,502	1,442	1,524	1,517	1,555	1,592
Fire Responses	235	305	235	219	230	241	282	229	276	251
Inspections	109	105	313	280	326	359	316	289	551	456
Refuse Collection										
Refuse Collected (tons)	--	--	--	--	--	15,984	15,538	16,930	18,393	21,729
Other Public Works										
Street Resurfacing (miles)	1.14	1.52	2.70	2.23	2.68	1.25	0.90	1.30	1.32	--
Library										
Volumes in Collection	48,548	47,510	43,737	43,827	44,200	39,333	33,709	32,504	33,316	35,171
Total Volumes Borrowed	155	114	116	94	227	129	132	161	25	6
Water										
New Connections	5,253	5,550	5,660	5,670	5,700	5,624	5,698	5,920	6,181	6,000
Water Main Breaks	50	48	49	44	61	62	70	80	47	59
Average Daily Consumption (thousands of gallons)	2,042,000	2,254,000	1,828,000	2,080,000	2,004,000	1,970,000	2,447,000	2,115,000	2,107,000	1,983,000
Peak Daily Consumption (thousands of gallons)	3,499,000	4,397,000	3,091,000	3,848,000	3,663,000	3,666,000	4,765,000	3,937,000	3,937,000	3,176,000
Wastewater										
Average Daily Sewage Treatment (thousands of gallons)	1,334,000	1,414,000	1,691,000	1,548,000	1,518,000	1,745,000	1,395,000	1,610,000	1,453,000	1,433,000
WW Peak	--	--	--	--	--	--	2,716,000	4,494,000	3,158,000	2,737,000

Source:

Various City Departments

TABLE D-21

CITY OF STEPHENVILLE, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(UNAUDITED)

Function/Program	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	10	10	10	10	10	10	10	10	10	10
Fire										
Stations	2	2	2	2	2	2	2	2	2	2
Other Public Works										
Streets (miles)	92	92	96	96	96	91	91	91	92	92
Highways (miles)	19	19	21	21	21	23	23	23	23	23
Streetlights	1,013	1,013	1,070	1,080	1,096	1,119	1,121	1,125	1,127	1,127
Parks and Recreation										
Acreage	134	134	134	130	130	130	130	130	130	130
Playgrounds	4	4	4	4	4	4	4	4	4	4
Baseball/Softball Diamonds	9	9	9	9	9	11	11	11	11	11
Soccer/Football Fields	1	1	1	1	1	1	1	1	1	1
Community Centers	2	2	2	2	2	2	2	2	2	2
Water										
Water Mains (miles)	117	120	122	124	125	125	126	126	126	126
Fire Hydrants	670	680	692	720	735	771	788	798	798	798
Storage Capacity (thousands of gallons)	5,500,000	5,500,000	5,500,000	5,750,000	5,750,000	5,750,000	5,750,000	5,750,000	5,750,000	5,750,000
Wastewater										
Sanitary Sewers (miles)	110	110	113	114	115	115	116	116	116	116
Storm Sewers (miles)	10.0	10.0	10.0	10.5	10.5	10.5	10.5	10.5	10.5	10.5
Treatment Capacity (thousands of gallons)	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000

Sources:

Various City Departments

Note:

No capital asset indicators are available for the general government function.

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